CITY OF RICHLAND HILLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018

CITY OF RICHLAND HILLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2018

Prepared by the Finance Department

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CITY OF RICHLAND HILLS, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018

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INTRODUCTORY SECTION

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CITY OF RICHLAND HILLS, TEXAS

(817) 616-3800 • 3200 DIANA DRIVE • RICHLAND HILLS, TEXAS 76118

February 25, 2019

The Honorable Mayor, Members of the City Council,
and Citizens of Richland Hills (the "City")

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Richland Hills, Texas, for the fiscal year ended September 30, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

THE REPORTING ENTITY

The City of Richland Hills is a political subdivision of the State, incorporated as a municipal corporation in 1950. The City operates under the laws of the State and the City's home rule charter, approved by the citizens in 1985 as a council-manager form of government. Policy-making and legislative authority are vested in a governing city council consisting of the mayor and five other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members serve two-year staggered terms with three council members elected in odd-numbered years and the mayor and two council members elected in even-numbered years. The mayor and council members are elected from the community at large. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. The City of Richland Hills voters approved a one percent local sales and use tax at an election held on December 5, 1967.

The City provides a full range of municipal services that include police and fire protection, emergency medical services, animal control services, municipal court, construction and maintenance of streets and drainage infrastructure, planning and zoning, economic development, code enforcement, library services, parks and recreational activities and cultural events, and general administrative services. Water and wastewater services and sanitation services are provided as an operation of the City and therefore have been included as an integral part of the City's financial statements. The Richland Hills Development Corporation (a Type B Economic Development Corporation) and Richland Hills Crime Control and Prevention District are legally separate entities but are in substance part of the government's operation and are included in the CAFR.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

Richland Hills is situated Northeast Tarrant County in the middle of the Dallas / Fort Worth Metroplex, the major metropolitan area in the north central part of the state, and is approximately 7 miles from downtown Fort Worth, 30 miles from downtown Dallas, and approximately 15 miles from DFW International Airport. Richland Hills is served by three state-numbered highways, SH 121, SH 26, and SH 10 (Baker Blvd. in Richland Hills), as well as the Trinity Railway Express (TRE), a commuter rail line between Fort Worth and Dallas operated jointly by Dallas Area Rapid Transit (DART) and the Fort Worth Transit Authority (The T). The Richland Hills occupies a land area of 3.9 square miles, is approximately 98% developed, and serves an estimated population of 7,920.

As it is widely recognized, revenue sources for municipalities are primarily driven from ad-valorem (property), sales and use taxes. In 2018, Richland Hill's experienced a 12.2% increase in net assessed taxable value due to an increase in residential and commercial property valuation and an upward trend in economic recovery. The property tax base remains diverse with the top ten taxpayers accounting for 12.0% of the total assessed value. In the General Fund, property tax revenues accounted for 32.1% and sales tax accounted for 43.4% of total revenues.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP) for local governments, as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that assets are safeguarded and that the financial statements will be free from material misstatement.

The City's accounting records for general governmental operations are maintained on a modified accrual basis. Under this method of accounting, expenditures are recognized when the services or goods are received and the liability is incurred. Revenues are recognized when measurable and available. Accounting records for the proprietary funds are maintained on the accrual basis.

The annual budget serves as the foundation for the City's financial planning and control. All City departments are required to submit requests for appropriation to the city manager by April of each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the Council for review by at least 60 days prior to October 1. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The city manager is authorized to transfer budgeted amounts between line items within any fund. Any revisions that alter the total expenditures of any fund require special approval of the Council.

RELEVANT FINANCIAL POLICIES

The Financial Policies enable the City to achieve a long-term stable and positive financial condition. Annual estimates of revenue in both the General Fund and Proprietary Funds are based on historical trends and reasonable expectation of growth. A conservative approach is observed in estimating revenues, so that revenue estimates will not be overstated. In order to protect from fluctuations in revenue sources due to fluctuations in the economy and variations in weather, a diversified revenue system is also maintained. In addition, it is also the City's policy that one-time, or non-recurring revenues, will not be used to finance current ongoing operations. Non-recurring revenues are used only for one-time

expenditures such as capital needs. Every fiscal year, each possible program addition or service level change is analyzed in terms of its potential financial impact as part of the budget package decision making process. This process enables the City to make assumptions about future debt and operational funds capacity. The City has also identified projects based on their critical nature and the timeliness of available financing for these projects. The City Council continued its strategic planning process to identify goals and objectives for long range planning. Directives from the City Council are utilized to help guide the budget planning and service and program implementation.

INDEPENDENT AUDIT

The Richland Hills City Charter requires an annual audit by an independent certified public accountant. George, Morgan & Sneed P.C., a firm of licensed certified public accountants, was selected by the City Council to audit the City's financial statements. The audit report will be available for public inspection and the original copy will be kept as a permanent record of the City.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the City of Richland Hills for its comprehensive annual financial report for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The City of Richland Hills has received the Certificate of Achievement for the past fourteen years.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the cooperation of City employees throughout the organization. Sincere appreciation is also expressed to the Mayor and City Council for their continued interest and support in the conduct of the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Ariel Carmona, CGFO, CPM
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Richland Hills

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF RICHLAND HILLS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2018

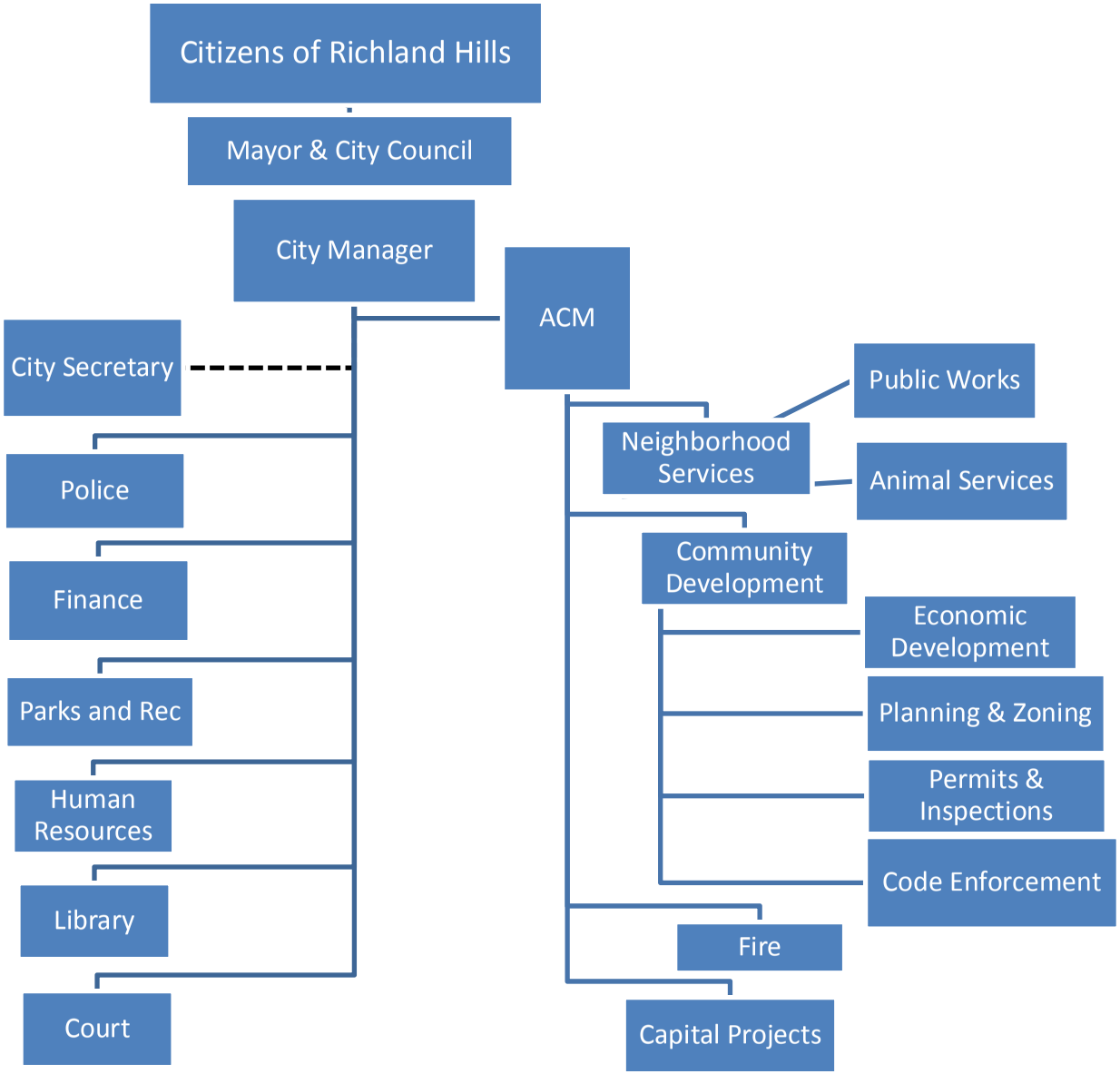
CITY COUNCIL

Edward Lopez, Mayor
Travis Malone, Place 1
Allison Barger, Mayor Pro Tem, Place 2
Curtis Bergthold, Place 3
Roland Goveas, Place 4
Athena Campbell, Place 5

CITY STAFF

Eric Strong, City Manager
Candace Edmondson, Assistant City Manager
Cathy Bourg, City Secretary
Ariel Carmona, Finance Director
Kimberly Sylvester, Chief of Police
Russell Shelley, Fire Chief
Scott Mitchell, Director of Neighborhood Services
Chantele Hancock, Library Director
Jason Brown, Parks & Recreation Director

City of Richland Hills, Texas
ORGANIZATION CHART



FINANCIAL SECTION

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GMS CERTIFIED PUBLIC ACCOUNTANTS
GEORGE | MORGAN | SNEED

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Richland Hills, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland Hills, Texas, (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

George, Morgan & Sneed, P.C.
1849 Wall Street | Weatherford, TX 76086 | *Phone* 817.594.2704 | *Fax* 817.599.7389
www.gms-cpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principal

As discussed in Notes 12 and 17 to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-15 and budgetary comparison information, schedule of changes in net pension liability, schedule of contributions, and schedule of changes in OPEB liability and related ratios on pages 52-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining nonmajor funds financial statements, budgetary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, budgetary schedules and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019, on our consideration of the City Richland Hills, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

George, Morgan & Sneed, P.C.
Weatherford, Texas
February 25, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Richland Hills, Texas, we offer readers of The City of Richland Hills' financial statements this narrative overview and analysis of the financial activities of the City of Richland Hills for the year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Richland Hills exceeded its liabilities at the close of the most recent fiscal year by $27,095,297 (*net position*) compared to $26,261,277 for the prior year. Of this amount, $3,677,718 (*unrestricted net position)* may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $834,020. The City's governmental activities net positon increased by $274,125 and the business-type activities net position increased $807,247. Net position was decreased by a $247,352 prior period adjustment as a result of implementing a new accounting standard. See note 17 to the financial statements for a description of the new standard.

- As of the close of the current year, the City of Richland Hills's governmental funds reported combined ending fund balances of $5,353,727 compared to $5,041,817 for the prior year. $2,827,940 is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current year, unassigned fund balance for the general fund was $2,827,940, or 37% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Richland Hills's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and fees).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, parks and beautification, community development and economic development. The business-type activities of the City include water and sewer and drainage utility.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and Crime Control District special revenue fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and drainage utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and drainage utility fund.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibits E-1 and E-5 of this report.

The combining and individual nonmajor governmental funds statements and schedules are presented immediately following the required supplementary information. These statements can be found on Exhibits F-1 through G-9 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $27,095,297 as of September 30, 2018.

The largest portion of the City's net position (78%) reflects its investment in capital assets (e.g. land, improvements other than buildings, buildings, machinery and equipment, streets and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $3,677,718 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental activities and business-type activities.

Below are summaries of the City's Statement of Net Position and Statement of Activities.

Condensed Statement of Net Position

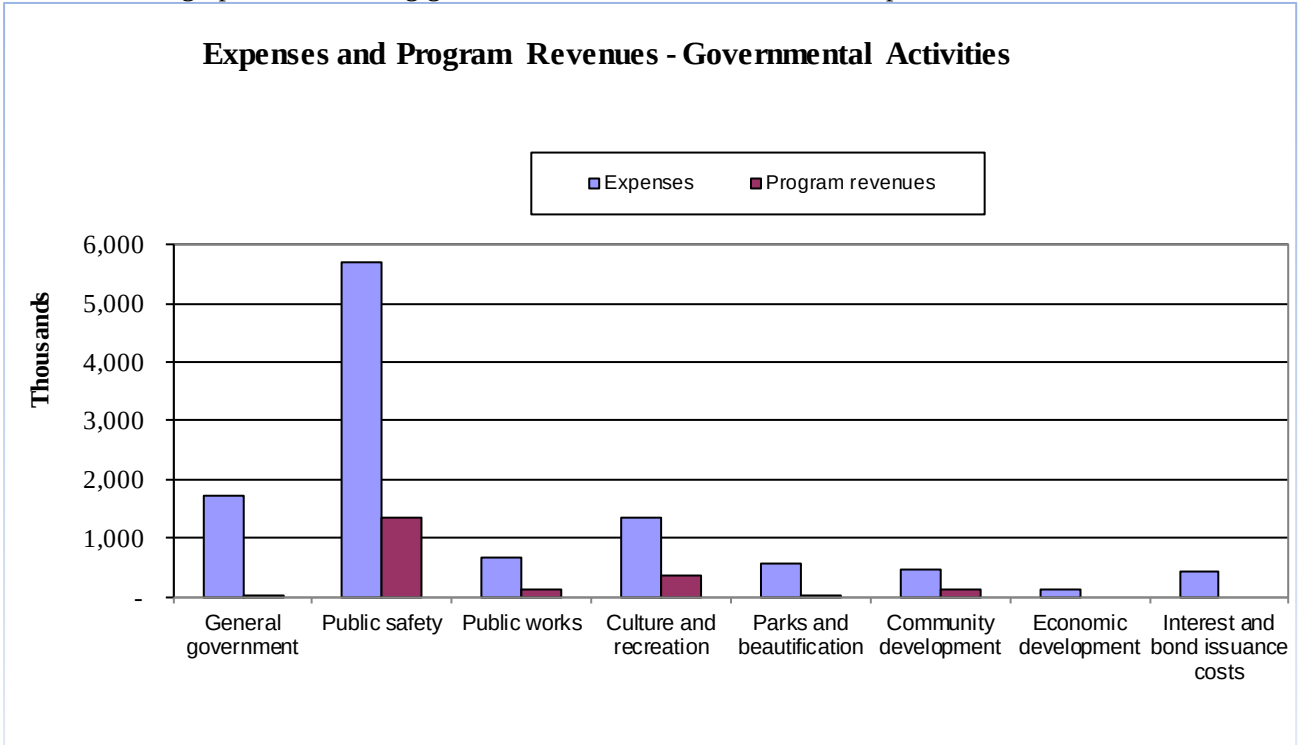
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 7,028,322	$ 7,512,188	$ 2,892,355	$ 3,160,147	$ 9,920,677	$ 10,672,335
Capital assets	24,421,973	25,154,307	20,105,272	20,252,852	44,527,245	45,407,159
Total Assets	31,450,295	32,666,495	22,997,627	23,412,999	54,447,922	56,079,494
Deferred outflows of resources	548,683	1,461,154	115,063	322,834	663,746	1,783,988
Total deferred outflows	548,683	1,461,154	115,063	322,834	663,746	1,783,988
Current liabilities	773,270	1,687,334	629,489	738,832	1,402,759	2,426,166
Long-term liabilities	15,709,038	17,629,134	9,877,119	11,257,960	25,586,157	28,887,094
Total liabilities	16,482,308	19,316,468	10,506,608	11,996,792	26,988,916	31,313,260
Deferred inflows of resources	891,420	240,605	136,035	48,340	1,027,455	288,945
Total deferred inflows	891,420	240,605	136,035	48,340	1,027,455	288,945
Net Position:						
Net investment in capital assets	10,617,667	11,342,503	10,501,116	9,637,000	21,118,783	20,979,503
Restricted	2,298,796	1,812,889	-	-	2,298,796	1,812,889
Unrestricted	1,708,787	1,415,184	1,968,931	2,053,701	3,677,718	3,468,885
Total Net Position	$ 14,625,250	$ 14,570,576	$ 12,470,047	$ 11,690,701	$ 27,095,297	$ 26,261,277

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 1,775,163	$ 1,481,181	$ 5,144,552	$ 5,058,451	$ 6,919,715	$ 6,539,632
Operating grants and contributions	196,804	225,025	-	-	196,804	225,025
Capital grants and contributions	39,582	4,148	9,585	173,079	49,167	177,227
General revenues:						
Property taxes	2,972,668	2,839,255	-	-	2,972,668	2,839,255
Sales taxes	5,081,993	4,735,759	-	-	5,081,993	4,735,759
Franchise taxes	560,282	512,109	-	-	560,282	512,109
Hotel Occupancy taxes	231,045	226,677	-	-	231,045	226,677
Investment earnings	33,085	16,669	12,704	4,467	45,789	21,136
Miscellaneous revenue	256,035	159,006	-	-	256,035	159,006
Total revenues	11,146,657	10,199,829	5,166,841	5,235,997	16,313,498	15,435,826
Expenses						
General government	1,735,244	2,070,959	-	-	1,735,244	2,070,959
Public safety	5,710,989	5,377,655	-	-	5,710,989	5,377,655
Public works	664,835	682,106	-	-	664,835	682,106
Culture and recreation	1,366,158	1,445,683	-	-	1,366,158	1,445,683
Parks and beautification	567,625	565,333	-	-	567,625	565,333
Community development	476,545	387,387	-	-	476,545	387,387
Economic development	127,644	113,213	-	-	127,644	113,213
Interest and fiscal agent charges	427,832	422,212	-	-	427,832	422,212
Bond issuance costs	5,852	-	-	-	5,852	-
Water and sewer	-	-	3,463,115	3,574,827	3,463,115	3,574,827
Drainage Utility	-	-	686,287	604,158	686,287	604,158
Total expenses	11,082,724	11,064,548	4,149,402	4,178,985	15,232,126	15,243,533
Increase (decrease) in net position before transfers	63,933	(864,719)	1,017,439	1,057,012	1,081,372	192,293
Transfers	210,192	298,158	(210,192)	(298,158)	-	-
Increase (decrease) in net position	274,125	(566,561)	807,247	758,854	1,081,372	192,293
Prior period adjustments	(219,451)	-	(27,901)	-	(247,352)	-
Net Position October 1	14,570,576	15,137,137	11,690,701	10,931,847	26,261,277	26,068,984
Net Position September 30	$ 14,625,250	$ 14,570,576	$ 12,470,047	$ 11,690,701	$ 27,095,297	$ 26,261,277

Governmental Activities. Governmental activities increased the City's net position by $274,125 in the current year compared with a $566,561 decrease in the prior year. Total governmental activities revenues increased $946,828 (9%) to $11,146,657. Property taxes increased $133,413 due to $54.6 million increase in assessed property values. Property tax rates decreased $.031895. Sales tax increased $346,234 because of new business and continued overall economic growth. Charges for service increased $293,982 primarily because the Link was open for an entire year and there were more customers. Total governmental activities expenses increased $18,176 from the prior year.

Below are two graphs summarizing governmental activities revenue and expense:



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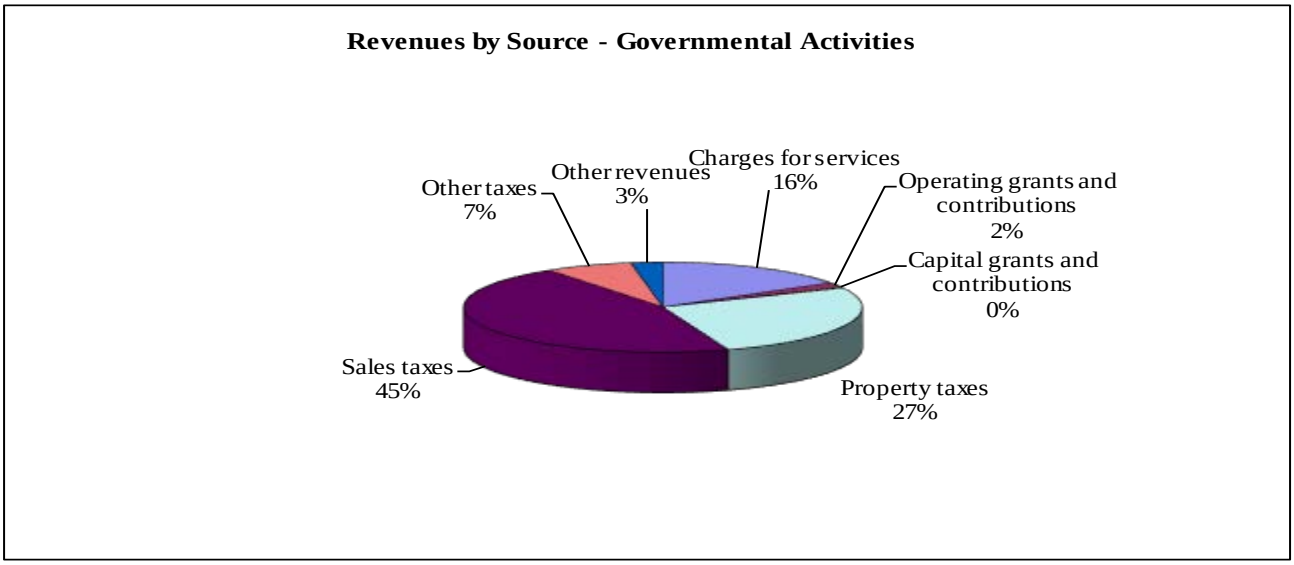
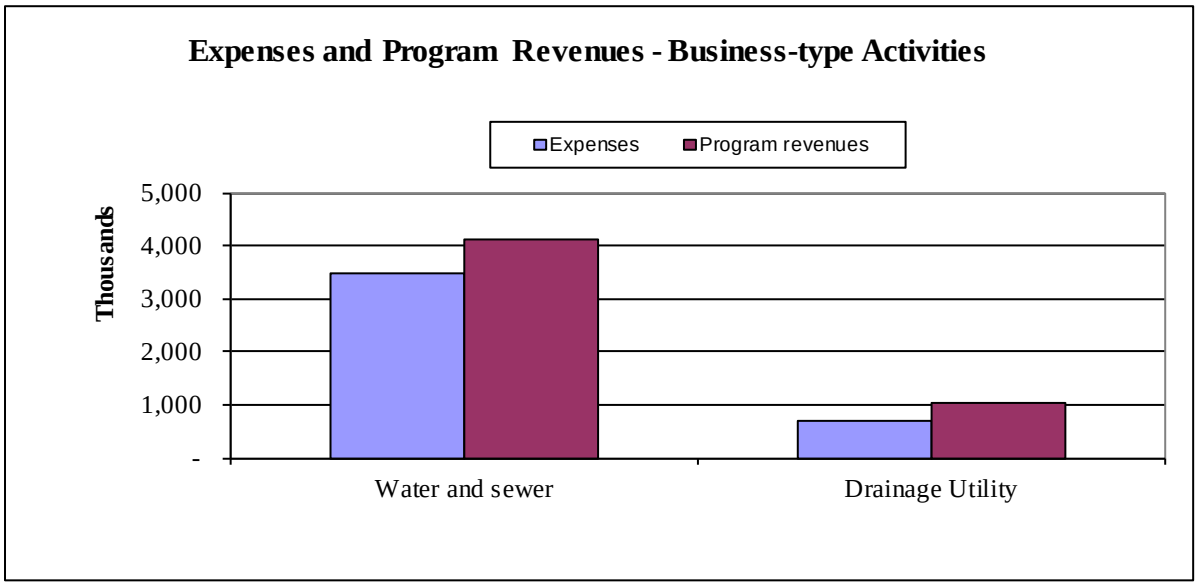

Revenues by Source - Governmental Activities
Other taxes 7%
Other revenues 3%
Charges for services 16%
Operating grants and contributions 2%
Capital grants and contributions 0%
Sales taxes 45%
Property taxes 27%

Business-type activities. Business-type activities increased the City's net position by $807,247 in the current year compared to an increase in net position of $758,854 in the prior year. The business-type activities total revenues decreased $69,156 (1%) to $5,166,841. Charges for service increased $86,101 due to an increase in gallons of water sold and an increase in drainage utility rates. Capital grants and contributions decreased $163,494 because of a CDBG grant in the prior year. Total expenses decreased $29,583 (1%) to $4,149,402.

Below are two graphs summarizing business-type activities revenue and expense:



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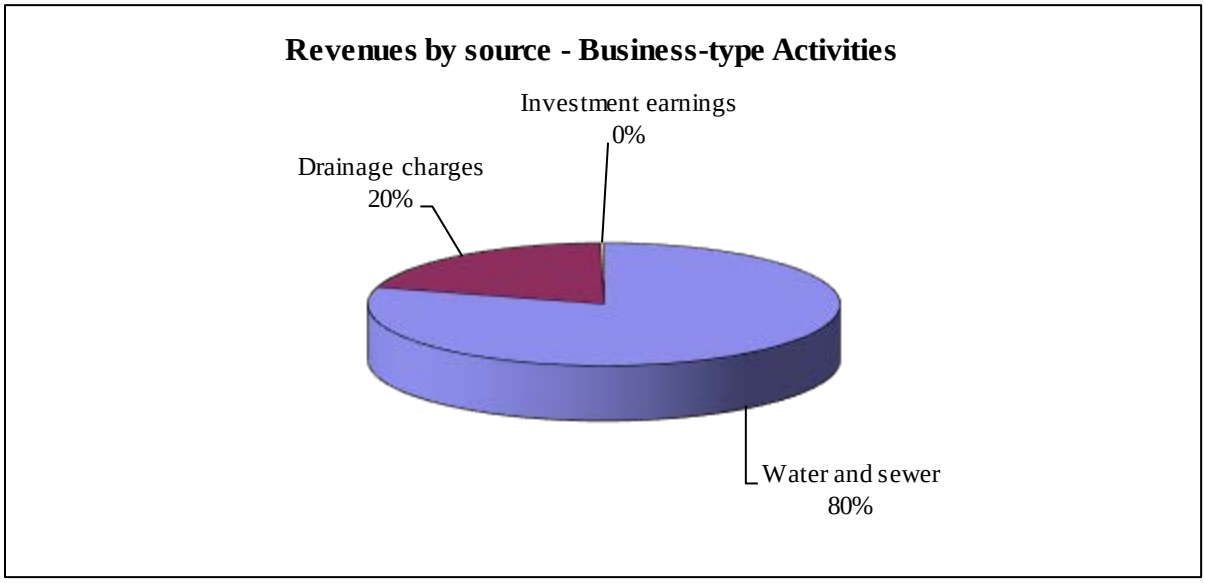


Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of $5,353,727. $2,827,940 (53%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted and assigned to indicate that it is not available for new spending because it has already been committed for projects and debt service.

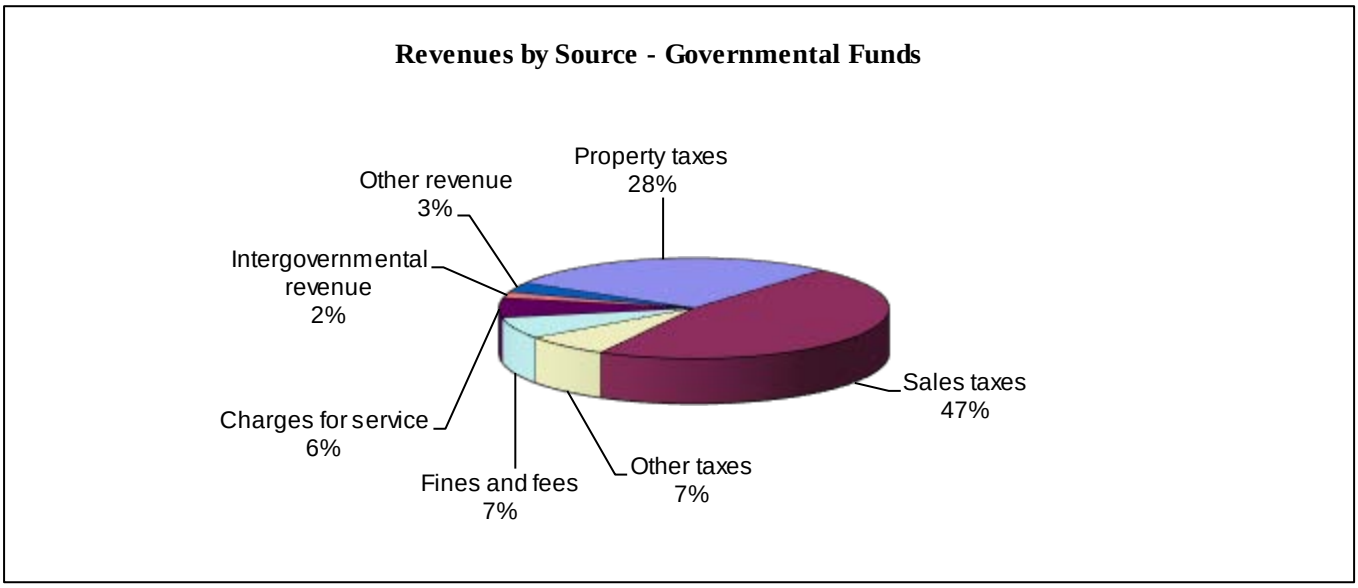
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,827,940. Fund balance of the general fund increased $264,438 compared to a decrease of $1,296,172 in the prior year. Key factors in this decrease are as follow:

- Revenues increased $629,868 (10%). General fund property taxes increased $175,422 due to a 11% increase in assessed property tax values and a tax rate decrease of $.010586 per $100 assessed value. Sales tax increased $286,623 due to new businesses and continued overall economic growth. Charges for service increased $279,606 primarily because the Link was open for an entire year and there were more customers.

- Expenditures increased $182,932 (2%). General government expenditures decreased $408,882 because of building improvements, IT upgrades and economic incentives in the previous year. Public safety expenditures increased $378,852 primarily because all positions were filled during the year. Culture and recreation expenditures increased $245,045 because the Link Activity Center was open for the entire year.

The Crime Control and Prevention District is funded with a .375% sales tax. Sales tax revenue of the Crime Control and Prevention District was $1,293,803 and funded police expenditures of $1,356,639 during the current year. Fund balance at year-end is $508,304.

Below are two graphs summarizing governmental fund revenue and expenditures.



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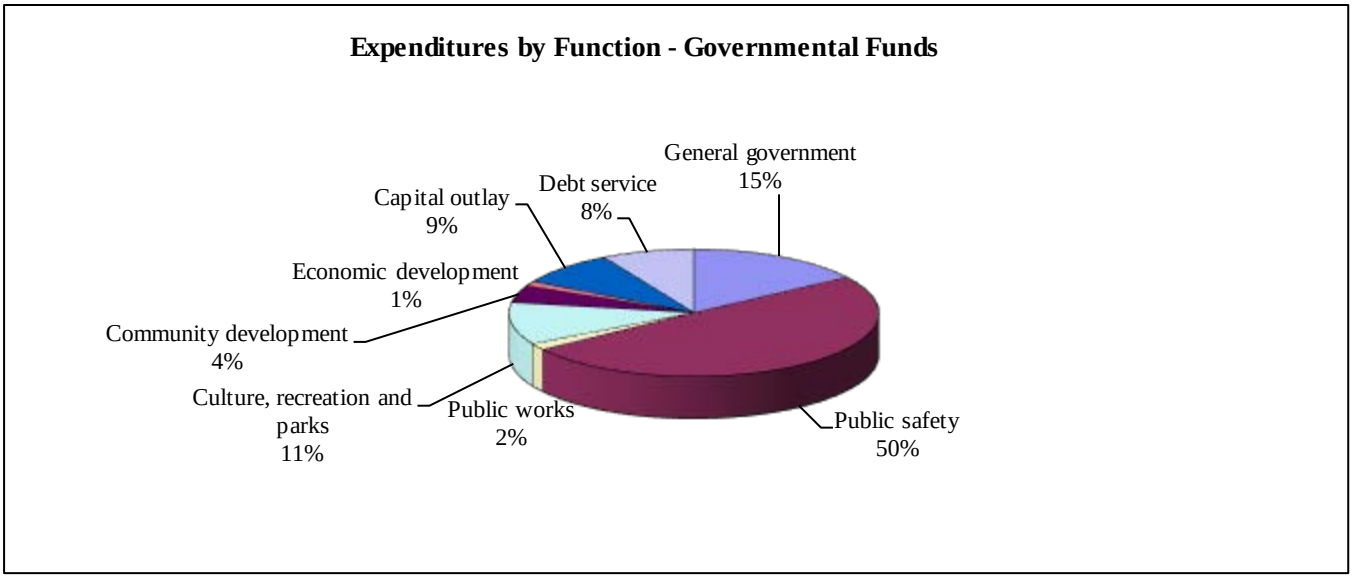

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund and Drainage Utility Fund at the end of the year were $1,792,228 and $176,703 respectively. The Water and Sewer fund net position increased $2,116,542 but the Drainage Utility net position decreased by $1,309,295. During the year the City Council approved transferring $1,600,000 from the Drainage Utility fund to the General Fund and then from the General Fund to the Water and Sewer Fund. This accounted for most of the increase in the Water and Sewer Fund and decrease in the Drainage Utility Fund. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City amended its budget during the year. Sales tax revenue was increased by $115,000 and expenditures were increased by $157,630. The largest increase in expenditures was in public safety for wages. Transfers in and out were increased $1,600,000 to account for a transfer from the Drainage Utility Fund and to the Water and Sewer fund.

During the year, actual revenues were $133,642 greater than budgeted and actual expenditures were $116,709 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to $44,527,245, (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- 1 public works vehicle $40,466
- Police department radio system and 3 vehicles 184,207
- Police department roof 95,414
- 2 buses, playground shade and other improvements at Link Activity Center and Plaza 243,127
- Street improvements 222,108

Business-type activities:

- Sewer line improvements $530,646
- Water system improvements 103,825
- Building improvements 24,371

The City of Richland Hills's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 830,414	$ 830,414	$ 256,267	$ 256,267	$ 1,086,681	$ 1,086,681
Construction in progress	640,466	516,813	-	-	640,466	516,813
Buildings	11,266,156	11,520,677	2,011	2,643	11,268,167	11,523,320
Improvements	2,736,309	3,101,448	6,831,238	6,996,983	9,567,547	10,098,431
Water and sewer systems	-	-	12,818,651	12,710,942	12,818,651	12,710,942
Machinery and equipment	2,208,071	2,205,683	197,105	286,017	2,405,176	2,491,700
Infrastructure	6,740,557	6,979,272	-	-	6,740,557	6,979,272
Total	$ 24,421,973	$ 25,154,307	$ 20,105,272	$ 20,252,852	$ 44,527,245	$ 45,407,159

Additional information on the City's capital assets can be found in note 1.D.5 and note 7 to the financial statements.

Long-Term Debt

At year-end the City had $22,683,876 in long-term debt outstanding. $10,015,000 are general obligation bonds backed by the full faith and credit of the City and $12,345,000 are certificates of obligation secured by a combination of tax and revenue. The City's outstanding tax supported debt is rated "AA" by Standard & Poor's Ratings Services.

City of Richland Hills's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of Obligation	$ 4,410,000	$ 4,585,000	$ 7,935,000	$ 10,000,000	$ 12,345,000	$ 14,585,000
General Obligation	8,863,250	8,770,000	1,151,750	-	10,015,000	8,770,000
Contractual Obligation	42,000	297,000	-	-	42,000	297,000
Capital Leases Payable	141,193	196,033	140,683	206,981	281,876	403,014
Total	$ 13,456,443	$ 13,848,033	$ 9,227,433	$ 10,206,981	$ 22,683,876	$ 24,055,014

More detailed information about the City's debt is presented in note 8 to the Financial Statements.

Economic factors and the Next Year's Budgets and Rates

The City's tax year 2018 total taxable value, as provided by the Tarrant Appraisal District is $566,171,819, an increase of 12.2% over 2017 total taxable value of $504,557,573. The property tax rate in the fiscal year 2019 adopted budget is $.541880. The maintenance and operations rate is $.450755 and the debt rate is $.091125. The estimated property tax revenue for fiscal year 2019 is $2,855,944, which is an increase of $117,848 or 4.1% from the projected tax revenues for fiscal year 2018.

In the General Fund total operating revenues for fiscal year 2018-2019 are $7,474,028. Sales tax revenue (including liquor tax) is projected at a total of $3,152,300, a decrease of $64,800 compared to fiscal year 2018 budget projections. The overall increase in revenue comes as a result of the increased in property values and a more conservative sales tax revenue projection for the upcoming 2018-2019 fiscal year.

Total expenditures for the General Fund for the upcoming fiscal year are $8,139,028. Total expenditures are expected to exceed total revenues by $665,000 due to a planned drawdown of excess reserves to be used toward one-time capital expenses. Water and wastewater revenues for fiscal year 2019 are projected at $3,984,180, which is equivalent to the projection from fiscal year 2018. Proposed expenses for the Water and Wastewater fund come slightly below projected revenues, at $3,948,047.

The indicators from fiscal year 2018, including the continued increase in the City's total assessed value, as well as in sales tax, suggest that the outlook for the City of Richland Hills is very positive. From the physical development side, the City continues working with the Texas Department of Transportation (TxDOT) and Tarrant County on significant improvements to Baker Boulevard; this includes additional turn lanes, new curb and gutter and the addition of sidewalks up and down both sides of Baker Boulevard.

Request for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3200 Diana Drive, Richland Hills, Texas 76118.

BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,173,752	$ 1,744,724	$ 3,918,476
Investments	2,511,213	335,281	2,846,494
Receivables (Net of allowances for uncollectibles)			
Property tax	70,599	-	70,599
Sales tax	850,916	-	850,916
Franchise taxes	308,865	-	308,865
Accounts	745,491	767,296	1,512,787
Intergovernmental	36,197	49,880	86,077
Other	18,047	58,762	76,809
Internal balances	250,000	(250,000)	-
Prepaids	63,242	-	63,242
Supplies inventory - at cost	-	22,620	22,620
Restricted assets:			
Cash and cash equivalents	-	132,458	132,458
Investments	-	31,334	31,334
Capital assets			
Non-depreciable assets	1,470,880	256,267	1,727,147
Depreciable assets, net	22,951,093	19,849,005	42,800,098
Total Assets	31,450,295	22,997,627	54,447,922
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	7,444	50,677	58,121
Deferred outflows related to pensions	526,751	62,175	588,926
Deferred outflows related to OPEB	14,488	2,211	16,699
Total deferred Outflows of Resources	548,683	115,063	663,746
LIABILITIES:			
Accounts payable	415,683	443,122	858,805
Accrued liabilities	259,914	14,069	273,983
Unearned Revenue	38,603	-	38,603
Current Liabilities Payable from Restricted Assets:			
Interest payable	59,070	39,840	98,910
Customer deposits	-	132,458	132,458
Noncurrent liabilities:			
Due Within One Year	620,281	804,062	1,424,343
Due in More Than One Year	15,088,757	9,073,057	24,161,814
Total Liabilities	16,482,308	10,506,608	26,988,916
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	891,420	136,035	1,027,455
Total deferred inflows of Resources	891,420	136,035	1,027,455
NET POSITION:			
Net investments in Capital Assets	10,617,667	10,501,116	21,118,783
Restricted for			
Public Safety	580,717	-	580,717
Culture and recreation	22,390	-	22,390
Parks and beautification	32,116	-	32,116
Economic development	530,908	-	530,908
Debt Service	325,192	-	325,192
Capital projects	807,473	-	807,473
Unrestricted Net Position	1,708,787	1,968,931	3,677,718
Total Net Position	$ 14,625,250	$ 12,470,047	$ 27,095,297

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	**$** 1,735,244	$ 4,895	$ -	$ -
Public safety	5,710,989	1,169,318	176,978	-
Public works	664,835	90,419	-	39,582
Culture and recreation	1,366,158	371,780	2,435	-
Parks and beautification	567,625	-	17,391	-
Community development	476,545	138,751	-	-
Economic development	127,644	-	-	-
Interest and fiscal agent charges	427,832	-	-	-
Bond issuance costs	5,852	-	-	-
Total governmental activities	11,082,724	1,775,163	196,804	39,582
Business-type activities:				
Water and sewer	3,463,115	4,095,283	-	9,585
Drainage utility	686,287	1,049,269	-	-
Total business-type activities	4,149,402	5,144,552	-	9,585
Total primary government	$ 15,232,126	$ 6,919,715	$ 196,804	$ 49,167

General Revenues:
Taxes:
Property Taxes, levied for general purposes
Property Taxes, levied for debt service
Sales Taxes
Franchise Taxes
Hotel Occupancy Taxes
Investment Earnings
Gain (Loss) on sale of capital assets
Miscellaneous Revenues
Transfers
Total General Revenues and Transfers

CHANGE IN NET POSITION

Prior Period Adjustment

NET POSITION, OCTOBER 1, 2017

NET POSITION, SEPTEMBER 30, 2018

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,730,349)	$ -	$ (1,730,349)
(4,364,693)	-	(4,364,693)
(534,834)	-	(534,834)
(991,943)	-	(991,943)
(550,234)	-	(550,234)
(337,794)	-	(337,794)
(127,644)	-	(127,644)
(427,832)	-	(427,832)
(5,852)	-	(5,852)
(9,071,175)	-	(9,071,175)
-	641,753	641,753
-	362,982	362,982
-	1,004,735	1,004,735
$ (9,071,175)	$ 1,004,735	$ (8,066,440)
$ 2,410,858	$ -	$ 2,410,858
561,810	-	561,810
5,081,993	-	5,081,993
560,282	-	560,282
231,045	-	231,045
33,085	12,704	45,789
106,522	-	106,522
149,513	-	149,513
210,192	(210,192)	-
9,345,300	(197,488)	9,147,812
274,125	807,247	1,081,372
(219,451)	(27,901)	(247,352)
14,570,576	11,690,701	26,261,277
$ 14,625,250	$ 12,470,047	$ 27,095,297

EXHIBIT C-1

CITY OF RICHLAND HILLS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2018

	General	Crime Control District	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 1,370,446	$ 423,819	$ 379,487	$ 2,173,752
Investments	1,132,886	-	1,378,327	2,511,213
Receivables (Net of allowances for uncollectibles)				
Property tax	55,919	-	14,680	70,599
Sales tax	535,981	230,758	84,177	850,916
Franchise taxes	308,865	-	-	308,865
Accounts	633,553	-	111,938	745,491
Intergovernmental	-	-	36,197	36,197
Other	-	-	18,047	18,047
Due from other funds	274,867	558	-	275,425
Prepaids	63,242	-	-	63,242
Total assets	$ 4,375,759	$ 655,135	$ 2,022,853	$ 7,053,747
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 207,314	$ 126,376	$ 81,993	$ 415,683
Accrued liabilities	231,911	20,455	7,548	259,914
Due to other funds	558	-	24,867	25,425
Unearned Revenue	38,603	-	-	38,603
Total liabilities	478,386	146,831	114,408	739,625
Deferred inflow of resources:				
Deferred revenue	941,569	-	18,826	960,395
Total deferred revenue	941,569	-	18,826	960,395
Fund Balances:				
Nonspendable:				
Prepaid items	63,242	-	-	63,242
Restricted for:				
Public Safety	10,116	508,304	62,297	580,717
Culture and recreation	22,390	-	-	22,390
Parks and beautification	32,116	-	-	32,116
Economic development	-	-	530,908	530,908
Debt Service	-	-	310,514	310,514
Capital projects	-	-	983,189	983,189
Assigned	-	-	2,711	2,711
Unassigned	2,827,940	-	-	2,827,940
Total fund balances	2,955,804	508,304	1,889,619	5,353,727
Total liabilities, deferred inflows and fund balances	$ 4,375,759	$ 655,135	$ 2,022,853	$ 7,053,747

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-2

CITY OF RICHLAND HILLS, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2018

Total Fund Balances - Governmental Funds	$ 5,353,727
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was $47,435,409 and the accumulated depreciation was $23,013,436.	24,421,973
Long-term liabilities, including $13,838,829 bonds payable and premiums, $141,193 capital leases payable, and $273,699 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(14,253,721)
Deferred charges on refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.	7,444
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(59,070)
Current receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	960,395
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of $1,208,254, a deferred resource inflow related to pensions of $891,420, and a deferred resource outflow related to pensions in the amount of $526,751. This amounts to a $1,572,923 decrease in net position.	(1,572,923)
Included in the items related to noncurrent liabilities is the recognition of the City's OPEB liability required by GASB 75 in the amount of $247,063 and a deferred resource outflow related to OPEB in the amount of $14,488. This is a decrease in net position.	(232,575)
Net Position of Governmental Activities	$ 14,625,250

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2018

	General	Crime Control District	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 2,416,024	$ -	$ 645,481	$ 3,061,505
Sales	3,267,337	1,293,803	520,853	5,081,993
Franchise	548,966	-	-	548,966
Hotel occupancy tax	-	-	231,045	231,045
Fines and forfeitures	354,985	-	400,614	755,599
Licenses and permits	138,751	-	-	138,751
Charges for service	687,291	-	-	687,291
Intergovernmental revenue	7,245	-	205,248	212,493
Investment earnings	32,580	458	47	33,085
Other revenue	77,143	-	96,263	173,406
Total revenues	7,530,322	1,294,261	2,099,551	10,924,134
EXPENDITURES				
Current				
General government	1,693,517	-	-	1,693,517
Public safety	3,836,488	1,020,482	558,071	5,415,041
Public works	185,479	-	-	185,479
Culture and recreation	1,041,613	-	-	1,041,613
Parks and beautification	125,182	-	-	125,182
Community development	481,077	-	-	481,077
Economic development	-	-	127,644	127,644
Capital outlay	219,034	336,157	397,899	953,090
Debt service:				
Principal	55,110	-	350,500	405,610
Interest and fiscal agent charges	6,123	-	465,789	471,912
Bond issuance costs	-	-	5,852	5,852
Total expenditures	7,643,623	1,356,639	1,905,755	10,906,017
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(113,301)	(62,378)	193,796	18,117
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	77,295	-		77,295
Issuance of refunding bond			228,750	228,750
Refund of Existing debt	-	-	(222,444)	(222,444)
Transfers in	1,906,022	150,000	5,578	2,061,600
Transfers out	(1,605,578)	(12,903)	(232,927)	(1,851,408)
Total other financing sources (uses)	377,739	137,097	(221,043)	293,793
NET CHANGE IN FUND BALANCES	264,438	74,719	(27,247)	311,910
FUND BALANCE, OCTOBER 1, 2017	2,691,366	433,585	1,916,866	5,041,817
FUND BALANCE, SEPTEMBER 30, 2018	$ 2,955,804	$ 508,304	$ 1,889,619	$ 5,353,727

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes is Fund Balances of
The Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2018

Total Net Change in Fund Balances - Governmental Funds	$	311,910
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including $923,140 of capital outlays and $405,610 of debt principal payments is to increase net position.		1,328,750
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,655,474)
Transactions involving the issuance of refunding bonds are expenditures and other financing sources (uses) in the fund financial statements but change in deferred charges for refunding and noncurrent liabilities in the government-wide financial statements. The net effect is a increase to net position.		(6,306)
Interest payable and compensated absences are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The $2,288 decrease in interest payable and $16,302 increase in compensated absences payable, and the $41,793 amortization of deferred charges, premiums and discounts increase net position.		27,779
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.		116,000
GASB requires the City to recognize its net pension liability and deferred resource outflow and inflows related to pensions. The changes in these balances increased net position.		164,590
GASB requires the City to recognize its OPEB liability and deferred resource outflow and inflows related to OPEBs. The changes in these balances decreased net position.		(13,124)
Change in Net Position of Governmental Activities	$	274,125

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2018

	Water and Sewer Fund	Drainage Utility Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 1,604,350	$ 140,374	$ 1,744,724
Investments	225,732	109,549	335,281
Receivables (Net of allowance for uncollectibles):			
Accounts	767,296	-	767,296
Miscellaneous	58,762	-	58,762
Intergovernmental	49,880	-	49,880
Supplies inventory	22,620	-	22,620
Restricted Assets:			
Cash and cash equivalents	132,458	-	132,458
Investments	31,334	-	31,334
Total current assets	2,892,432	249,923	3,142,355
Noncurrent Assets:			
Capital assets			
Non-depreciable assets	207,267	49,000	256,267
Depreciable assets, net	13,040,704	6,808,301	19,849,005
Total noncurrent assets	13,247,971	6,857,301	20,105,272
Total assets	$ 16,140,403	$ 7,107,224	$ 23,247,627
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	50,677	-	50,677
Deferred outflows related to pensions	52,615	9,560	62,175
Deferred outflows related to OPEB	1,991	220	2,211
Total deferred outflows of resources	105,283	9,780	115,063
LIABILITIES:			
Current Liabilities:			
Accounts payable	$ 422,577	$ 20,545	$ 443,122
Accrued liabilities	13,103	966	14,069
Due to other funds	250,000	-	250,000
Current Liabilities Payable from Restricted Assets:			
Current portion of noncurrent liabilities	485,821	318,241	804,062
Interest payable	17,107	22,733	39,840
Customer deposits payable	132,458	-	132,458
Total current liabilities	1,321,066	362,485	1,683,551
Noncurrent Liabilities:			
Compensated absences payable	17,079	1,090	18,169
Net pension liability	166,003	18,383	184,386
OPEB liability	33,944	3,759	37,703
Capital leases payable	71,725	-	71,725
Bonds payable	3,778,175	4,982,899	8,761,074
Total noncurrent liabilities	4,066,926	5,006,131	9,073,057
Total liabilities	5,387,992	5,368,616	10,756,608
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to pensions	122,473	13,562	136,035
Total deferred outflows of resources	122,473	13,562	136,035
NET POSITION:			
Net Investment in capital assets	8,942,993	1,558,123	10,501,116
Unrestricted	1,792,228	176,703	1,968,931
Total net assets	$ 10,735,221	$ 1,734,826	$ 12,470,047

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2018

	Water and Sewer Fund	Drainage Utility Fund	Totals
OPERATING REVENUES			
Charges for sales and services:			
Water sales	$ 2,095,286	$ -	$ 2,095,286
Sewer charges	1,558,199	-	1,558,199
Infrastructure improvement fees	332,396	1,049,269	1,381,665
Late payment fee	90,043	-	90,043
Miscellaneous fees and charges	19,359	-	19,359
Total operating revenue	4,095,283	1,049,269	5,144,552
OPERATING EXPENSES			
Personnel	574,520	115,804	690,324
Contractual services	111,818	68,757	180,575
Maintenance and repairs	281,295	105,276	386,571
Water purchase	678,544	-	678,544
Sewage treatment	703,565	-	703,565
Other supplies and expenses	338,034	13,505	351,539
Depreciation	612,713	202,711	815,424
Total operating expenses	3,300,489	506,053	3,806,542
Operating income (loss)	794,794	543,216	1,338,010
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	5,253	7,451	12,704
Interest expense and fiscal agent charges	(129,463)	(180,234)	(309,697)
Bond issuance costs	(33,163)	-	(33,163)
Total nonoperating revenues (expenses)	(157,373)	(172,783)	(330,156)
Income (loss) before contributions and transfers	637,421	370,433	1,007,854
Capital contributions and transfers			
Capital grant	9,585	-	9,585
Transfers in	1,611,364	-	1,611,364
Transfers out	(141,828)	(1,679,728)	(1,821,556)
CHANGE IN NET POSITION	2,116,542	(1,309,295)	807,247
PRIOR PERIOD ADJUSTMENT	(26,887)	(1,014)	(27,901)
NET POSITION, OCTOBER 1, 2017	8,645,566	3,045,135	11,690,701
NET POSITION, SEPTEMBER 30, 2018	$ 10,735,221	$ 1,734,826	$ 12,470,047

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2018

	Water and Sewer Fund	Drainage Utility Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 4,058,823	$ 1,049,269	$ 5,108,092
Cash paid to suppliers	(2,155,097)	(249,423)	(2,404,520)
Cash paid to employees	(688,111)	(108,847)	(796,958)
Net cash provided by operating activities	1,215,615	690,999	1,906,614
Cash flow from noncapital financing activities:			
Increase (decrease) in due to other funds	250,000	-	250,000
Transfers in	1,611,364	-	1,611,364
Transfers out	(141,828)	(1,679,728)	(1,821,556)
Net cash provided (used) by noncapital financing activities	1,719,536	(1,679,728)	39,808
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(725,798)	(300,000)	(1,025,798)
Capital expenditures	(658,842)	(9,000)	(667,842)
Interest and fiscal agent charges	(154,405)	(181,135)	(335,540)
Net cash (used) by capital and related financing activities	(1,539,045)	(490,135)	(2,029,180)
Cash flow from investing activities:			
Interest received	5,253	7,451	12,704
Purchase of investments	171,088	380,003	551,091
Net cash provided by investing activities	176,341	387,454	563,795
Net increase (decrease) in cash and cash equivalents	1,572,447	(1,091,410)	481,037
Cash and cash equivalents, October 1, 2017	164,361	1,231,784	1,396,145
Cash and cash equivalents, September 30, 2018	$ 1,736,808	$ 140,374	$ 1,877,182
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 794,794	$ 543,216	$ 1,338,010
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	612,713	202,711	815,424
(Increase) decrease in accounts receivable	(44,108)	-	(44,108)
(Increase) decrease in supplies inventory	1,431	-	1,431
Increase (decrease) in accounts payable	(43,272)	(61,885)	(105,157)
Increase (decrease) in accrued liabilities	(3,160)	(1,052)	(4,212)
Increase (decrease) in compensated absences	2,894	184	3,078
Increase (decrease) in net pension balances	(118,391)	5,301	(113,090)
Increase (decrease) in OPEB Balances	5,066	2,524	7,590
Increase (decrease) in customer meter deposits	7,648	-	7,648
Total adjustments	420,821	147,783	568,604
Net cash provided by operating activities	$ 1,215,615	$ 690,999	$ 1,906,614
Noncash investing, capital and financing activities			
Increase in bonds payable due to refunding	$ 46,250	$ -	$ 46,250
Total noncash investing, capital and financing activities	$ 46,250	$ -	$ 46,250

The notes to the financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Richland Hills is a municipal corporation governed by an elected mayor and five-member council. The financial statements of the City of Richland Hills, Texas ("City") include all governmental activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has two blended component units. Separate financial information for each can be obtained from the City.

Blended Component Units.

The Richland Hills Development Corporation (a nonprofit development corporation formed under the Development corporation act of 1979, Texas Rev Civil Statute) was incorporated June 28, 1996. The corporation serves all citizens of the City and is governed by a board of seven directors appointed by the City Council. Four of the directors are council member directors and three are citizen member directors. The purpose of the Corporation is to promote infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City by developing, implementing, providing, and financing projects. Operation of the Corporation is funded by .125 percent sales tax approved by the voters. The corporation is reported as a Special Revenue Fund.

November 8, 2005, citizens of the City of Richland Hills voted to create the Richland Hills Crime Control and Prevention District (the "District") dedicated to crime reduction programs. The City Council serves as the board of directors for the District. Operation of the District is funded by .325 percent sales tax approved by the voters. The District is reported as a Special Revenue Fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property, sales, and franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

The ***General Fund*** is the government's primary operating fund. It accounts for all resources used to finance basic operations of the City and covers all activities for which a separate fund has not been established.

The ***Crime Control District*** special revenue fund is a blended component unit that accounts for the proceeds of a .325 percent sales tax and crime reduction programs.

The City reports the following major proprietary funds:

The ***Water and Sewer Fund*** is used to account for the operation of the water and sewage systems for the City.

The ***Drainage Utility Fund*** is used to account for the construction and maintenance of the drainage system for the City.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and drainage utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

1. *Cash, Cash Equivalents and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Tax

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. *Inventory*

The inventory of supplies held by the Enterprise Funds is valued at cost using the first-in-first-out ("FIFO") method.

5. *Capital Assets*

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays allowance for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund and drainage utility fund during the current fiscal year was $309,697. Of this amount $0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Building and improvements	20 - 40 years
Office equipment	5 - 20 years
Autos and trucks	4 - 5 years
Equipment	3 - 20 years
Waterworks and sewer system	5 - 40 years
Infrastructure	20 – 40 years

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost.

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Sick pay benefits are not paid upon separation therefore no liability is reported for unpaid accumulated sick leave. Vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported by the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Fund Balance – Governmental Funds*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classifications includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted: This classification includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed: This classification includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).

Assigned: This classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has delegated the authority to assign fund balance to the City Manager by resolution.

Unassigned – All amounts not included in other classifications.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

10. ***Net Position***

Net position represents the difference between assets and liabilities. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted fund balance (Exhibit C-1)	$ 2,459,834
Adjustments	
Deferred property tax revenue restricted for debt service	14,678
Restricted for capital projects	(175,716)
Total adjustments	(161,038)
Restricted net position (Exhibit A-1)	$ 2,298,796

11. ***Use of Estimates***

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation references for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

TexPool

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pool are stated at amortized cost, which in most cases approximates the fair value of the securities. The objective of TexPool is to maintain a stable $1.00 net asset value; however, the $1.00 net asset value is not guaranteed or insured by the State of Texas.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. As a requirement to maintain its rating, weekly portfolio information must be submitted to Standards and Poors, as well as the office of the Comptroller of Public Accounts for Review.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2018, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – Investments

The City manages interest rate risk by structuring its portfolio so that it will experience minimal volatility during economic cycles. This is accomplished by purchasing high quality, short to medium term securities which will complement each other. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.

The City's investments at September 30, 2018 included the following:

Investment	Credit Rating	Maturities	Percentage of Total Investments	Cost	Fair Value
Investment in Tex-Pool	AAAm	28 days	100.00%	$ 2,714,955	$ 2,714,955
				$ 2,714,955	$ 2,714,955

Reconciliation to financial statements	
Investments from Exhibit A-1	$ 2,877,828
Less: Certificates of Deposit	(162,873)
	$ 2,714,955

NOTE 3: RESTRICTED ASSETS

Certain proceeds of the City's enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond ordinances and other legal restrictions. Enterprise Funds restricted assets are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Cash and cash equivalents	
Customer Deposits	$ 132,458
Investments	
Interest and sinking funds	31,334
Total restricted assets	$ 163,792

NOTE 4: RECEIVABLES

All accounts and property tax receivables are shown net of an allowance for uncollectibles. Water and sewer accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible accounts of $723,061. The property tax receivable allowance of $83,878 and $22,019 for the general fund and debt service fund respectively, and is equal to 60% of outstanding delinquent property taxes at September 30. The fines and fees receivable in the general fund is reported net of an allowance of $1,198,367 which is 75% of the adjusted receivable. The EMS charges receivable in the general fund is reported net of an allowance of $101,064 which is 32% of the outstanding receivable. These allowances are based upon historical experience. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Crime Control District	Enterprise Funds	Nonmajor Funds	Total
Receivables:					
Property tax	$ 139,797	$ -	$ -	$ 36,699	$ 176,496
Sales tax	535,981	230,758	-	84,177	850,916
Franchise taxes	308,865	-	-	-	308,865
Accounts	1,932,984	-	1,311,422	111,938	3,356,344
Earned and Unbilled Services	-	-	178,935	-	178,935
Intergovernmental	-	-	49,880	36,197	86,077
Other	-	-	58,762	18,047	76,809
Gross Receivables	2,917,627	230,758	1,598,999	287,058	5,034,442
Less: Allowance for Uncollectibles	(1,383,309)	-	(723,061)	(22,019)	(2,128,389)
Net Total Receivables	$ 1,534,318	$ 230,758	$ 875,938	$ 265,039	$ 2,906,053

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and this, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify in this category, deferred loss on refunding, deferred outflows related to pensions and deferred outflows related to OPEB reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as in inflow of resource (revenue) until that time. The city has two types of items in this category, unavailable revenues for governmental funds and deferred inflows related to pensions in the government-wide statement of net position and proprietary funds statements.

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General	Nonmajor	Total Governmental Funds
Deferred property taxes receivable	$ 55,920	$ 14,678	$ 70,598
Deferred franchise tax receivable	268,119	-	268,119
Deferred fines and fees receivable	399,455	-	399,455
Deferred EMS charges receivable	218,075	-	218,075
Deferred intergovernmental receivable	-	4,148	4,148
Total deferred inflows of resources for governmental funds	$ 941,569	$ 18,826	$ 960,395

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds as of September 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	$ 250,000
General	Special Revenue	24,867
Crime Control District	General	558
Total Governmental Funds		$ 275,425

The General fund paid expenditures for the other governmental funds.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2018, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Crime Control District	$ 12,903	Operating Transfer
General Fund	Other Governmental Funds	82,927	Operating Transfer
General Fund	Water and Sewer	141,828	Operating Transfer
General Fund	Drainage Utility	68,364	Operating Transfer
General Fund	Drainage Utility	1,600,000	Accumulated funds
Crime District	Other Governmental Funds	150,000	Capital Projects
Other governmental funds	General Fund	5,578	Capital Projects
Total Governmental Funds Transfers In		$ 2,061,600	
Water and Sewer Fund	General Fund	$ 1,600,000	Accumulated funds
Water and Sewer Fund	Drainage Utility	11,364	Debt Service
Total Enterprise Funds Transfers In		$ 1,611,364	

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	$ 830,414	$ -	$ -	$ 830,414
Construction in Progress	516,813	123,653	-	640,466
Total non-depreciable assets	1,347,227	123,653	-	1,470,880
Depreciable Assets:				
Buildings	13,073,141	35,963	-	13,109,104
Improvements other than buildings	4,540,562	40,055	(287,511)	4,293,106
Machinery and equipment	5,231,598	501,361	(637,680)	5,095,279
Infrastructure	23,244,932	222,108	-	23,467,040
Total capital assets being depreciated	46,090,233	799,487	(925,191)	45,964,529
Accumulated Depreciation:				
Buildings	(1,552,464)	(290,484)	-	(1,842,948)
Improvements other than buildings	(1,439,114)	(405,194)	287,511	(1,556,797)
Machinery and equipment	(3,025,915)	(498,973)	637,680	(2,887,208)
Infrastructure	(16,265,660)	(460,823)	-	(16,726,483)
Total accumulated depreciation	(22,283,153)	(1,655,474)	925,191	(23,013,436)
Governmental activities capital assets, net	$ 25,154,307	$ (732,334)	$ -	$ 24,421,973

NOTE 7: CAPITAL ASSETS - (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	$ 256,267	$ -	$ -	$ 256,267
Total non-depreciable assets	256,267	-	-	256,267
Depreciable Assets:				
Buildings	174,022	-	-	174,022
Improvements other than buildings	7,792,329	33,372	-	7,825,701
Water and sewer systems	21,072,266	634,472	-	21,706,738
Machinery and equipment	1,058,137	-	(45,494)	1,012,643
Total capital assets being depreciated	30,096,754	667,844	(45,494)	30,719,104
Accumulated Depreciation:				
Buildings	(171,379)	(632)	-	(172,011)
Improvements other than buildings	(795,346)	(199,117)	-	(994,463)
Water and sewer systems	(8,361,324)	(526,763)	-	(8,888,087)
Machinery and equipment	(772,120)	(88,912)	45,494	(815,538)
Total accumulated depreciation	(10,100,169)	(815,424)	45,494	(10,870,099)
Business-type activities capital assets, net	$ 20,252,852	$ (147,580)	$ -	$ 20,105,272

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 52,720
Public safety	367,549
Public works	474,907
Culture and recreation	317,855
Parks and beautification	442,443
Total depreciation expense - governmental activities	$ 1,655,474
Business-type activities:	
Water and sewer	$ 612,713
Drainage Utility	202,711
Total depreciation expense - business-type activities	$ 815,424

NOTE 8: LONG-TERM LIABILITIES

A. Bonds Payable

Governmental Activities

The City has issued certificates of obligation and general obligation bonds for the construction of large capital projects. The contractual obligation bonds were issued to finance equipment and improvements other than buildings. The General Obligation Bonds Series 2017 are split between the governmental activities and business-type activities 15 and 85 percent. Bonds outstanding are as follows:

	Interest Rate	Maturity	Original Issue	Amount Outstanding
Governmental activities:				
Certificates of obligation				
2016 Tax and Revenue	2.00 - 3.13%	8/15/2026	$ 4,705,000	$ 4,410,000
Total certificates of obligation			4,705,000	4,410,000
General obligation bonds				
2016 General Obligation	2.00% - 3.38%	8/15/2046	8,770,000	8,660,000
2017 General Obligation	1.84%	8/15/2027	228,750	203,250
Total general obligation bonds			8,998,750	8,863,250
Contractual obligation bonds				
2012 PPFCO	3.66%	2/15/2019	415,000	42,000
Total contractual obligation bonds			415,000	42,000
Total governmental activities			$ 14,118,750	$ 13,315,250

The annual debt service requirements to maturity for the governmental activities bonds outstanding as of September 30, 2018, are as follows:

	Governmental Activities					
	Certificates of Obligation			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 180,000	$ 154,975	$ 334,975	$ 134,750	$ 302,903	$ 437,653
2020	180,000	151,375	331,375	176,250	299,147	475,397
2021	190,000	145,975	335,975	180,500	295,664	476,164
2022	195,000	136,475	331,475	185,500	290,545	476,045
2023	205,000	128,675	333,675	234,500	283,676	518,176
2024-2028	1,130,000	540,375	1,670,375	1,306,750	1,259,821	2,566,571
2029-2033	1,385,000	289,600	1,674,600	1,485,000	992,562	2,477,562
2034-2038	945,000	59,306	1,004,306	1,730,000	745,506	2,475,506
2039-2043	-	-	-	2,035,000	446,006	2,481,006
2044-2048	-	-	-	1,395,000	95,175	1,490,175
Total	$ 4,410,000	$ 1,606,756	$ 6,016,756	$ 8,863,250	$ 5,011,005	$ 13,874,255

NOTE 8: LONG-TERM LIABILITIES (Continued)

	Governmental Activities		
	Contractual Obligation		
	Principal	Interest	Total
2019	$ 42,000	$ 393	$ 42,393
Total	$ 42,000	$ 393	$ 42,393

Business-type Activities

The City's enterprise funds also issue certificates of obligation for the construction of large capital projects. Bonds outstanding are as follows:

	Interest Rate	Maturity	Original Issue	Amount Outstanding
Business-type activities				
Certificates of obligation				
2010 Tax and Revenue	3.00% - 4.13%	8/15/2030	2,750,000	1,915,000
2011 Tax and Revenue Refunding	2.00% - 2.50%	8/15/2022	3,110,000	450,000
2013 Tax and Revenue	3.00% - 4.50%	8/15/2033	5,370,000	4,710,000
2015 Tax and Revenue	2.56%	8/15/2030	1,030,000	860,000
Total certificates of obligation			12,260,000	7,935,000
General obligation bonds				
2017 General Obligation	1.84%	8/15/2027	1,296,250	1,151,750
Total general obligation bonds			1,296,250	1,151,750
Total business-type activities			$ 13,556,250	$ 9,086,750

The annual debt service requirements to maturity for the business-type activities bonds outstanding as of September 30, 2018, are as follows:

	Business-type Activities					
	Certificates of Obligation			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 530,000	$ 283,660	$ 813,660	140,250	$ 21,192	$ 161,442
2020	555,000	264,298	819,298	148,750	18,612	167,362
2021	575,000	243,859	818,859	144,500	15,875	160,375
2022	595,000	222,658	817,658	144,500	13,216	157,716
2023	510,000	200,344	710,344	110,500	10,557	121,057
2024-2028	2,770,000	751,648	3,521,648	463,250	21,583	484,833
2029-2033	2,400,000	255,432	2,655,432	-	-	-
Total	$ 7,935,000	$ 2,221,899	$ 10,156,899	1,151,750	$ 101,035	$ 1,252,785

NOTE 8: LONG-TERM LIABILITIES (Continued)

Refunding Bonds

On December 25, 2017, the City issued $1,525,000 General Obligation Refunding Bonds, Series 2017. The net proceeds were used to refund $215,000 Public Property Finance Contractual Obligation, Series 2007 and $1,250,000 Combination Tax & Waterworks & Sewer Revenue Certificates of Obligation, Series 2007. The refunding decreased debt service payments for the City by $114,777 with a net present value savings of $101,921.

B. Capital Leases Payable

Governmental Activities

On October 28, 2016, the City entered into a $232,379 lease-purchase agreement for an ambulance. The lease is due in 5 annual payments of $49,959 beginning May 1, 2017. The interest rate is 2.947%.

Business-type Activities

On February 9, 2016, the City entered into a $341,945 lease-purchase agreement for a sewer truck. The lease is due in 5 annual payments of $74,603 beginning June 10, 2016. The interest rate is 3.94%.

The future minimum lease purchase commitments are as follows:

	Governmental Activities	Business-type Activities
2019	$ 49,959	$ 74,603
2020	49,959	74,603
2021	49,959	-
Total debt service requirements	149,877	149,206
Less: Interest Portion	8,684	8,523
Debt Principal	$ 141,193	$ 140,683

Assets under lease and the related accumulated depreciation are as follows:

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 232,379	$ 341,945
Less: Accumulated Depreciation	(46,476)	(205,167)
Net	$ 185,903	$ 136,778

NOTE 8: LONG-TERM LIABILITIES (Continued)

C. Changes in long-term liabilities

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018.

	9/30/2017	Additions	Retirements	9/30/2018	Due Within One Year
Governmental Activities.:					
Certificates of obligation	$ 4,585,000	$ -	$ 175,000	$ 4,410,000	$ 180,000
General obligation bonds	8,770,000	228,750	135,500	8,863,250	134,750
Contractual obligation bonds	297,000	-	255,000	42,000	42,000
Premiums on bonds	565,372	-	41,793	523,579	41,792
Capital leases	196,303	-	55,110	141,193	45,790
Compensated Absences	257,397	243,448	227,146	273,699	175,949
Net Pension Liability	2,958,062		1,749,808	1,208,254	-
OPEB Liability	-	247,063	-	247,063	-
Total Governmental Activities	17,629,134	719,261	2,639,357	15,709,038	620,281
Business-type Activities:					
Certificates of obligation	10,000,000		2,065,000	7,935,000	530,000
General obligation bonds	-	1,296,250	144,500	1,151,750	140,250
Premiums on bonds	408,871	-	32,148	376,723	32,149
Capital Lease Payable	206,981	-	66,298	140,683	68,958
Compensated Absences	47,795	27,188	24,109	50,874	32,705
Net Pension Liability	594,313		409,927	184,386	-
OPEB Liabilty		37,703		37,703	-
Total Business-type Activities	11,257,960	1,361,141	2,741,982	9,877,119	804,062
Total Long-Term Debt	$ 28,887,094	$ 2,080,402	$ 5,381,339	$ 25,586,157	$ 1,424,343

Compensated absences

Compensated absences and pension liabilities of the governmental activities and business-type activities are paid by the general fund, water and sewer fund, and drainage utility fund, respectively.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

NOTE 9: RISK MANAGEMENT (Continued)

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 10: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participant to defer a portion of their salary until future years. The plan is administered by the Public Employees Benefit Services Corporation (PEBSCO). The City does not contribute to this plan nor does it have any liability for this plan.

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The plan provisions for the City were as follows:

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

	Plan Year 2018
Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	108
Active employees	73
	276

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.01% and 16.14% in calendar years 2018 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were $762,685, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. These rates are projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumptions for healthy annuitants and annuity purchase rates are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuations, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time changes to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternate asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 30,152,875	$ 26,600,501	$ 3,552,374
Changes for the year:			
Service cost	818,261	-	818,261
Interest	2,011,541	-	2,011,541
Change of benefit terms	-	-	-
Difference between expected and actual experience	(298,938)	-	(298,938)
Changes of assumptions	-	-	-
Contributions - employer	-	713,878	(713,878)
Contributions - employee	-	309,612	(309,612)
Net investment income	-	3,687,182	(3,687,182)
Benefit payments, including refunds of employee contributions	(1,522,784)	(1,522,784)	-
Administrative expense	-	(19,106)	19,106
Other changes	-	(968)	968
Net changes	1,008,080	3,167,814	(2,159,734)
Balance at 12/31/2017	$ 31,160,955	$ 29,768,315	$ 1,392,640

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase Discount Rate (7.75%)
City's Net Pension Liability	$ 5,608,630	$ 1,392,640	$ (2,053,205)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $485,005.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 268,889
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings.	-	758,556
Contributions subsequent to the measurement date	588,926	-
Total	$ 588,926	$ 1,027,445

$588,926 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2018	$ (170,866)
2019	(99,485)
2020	(378,776)
2021	(378,328)
2022	-
Thereafter	-
Total	$ (1,027,455)

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. PLAN DESCRIPTION

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees.

NOTE 12. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

B. BENEFITS PROVIDED

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitle to but not yet receiving benefits	9
Active employees	73
	132

C. TOTAL OPEB LIABILITY

The City's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% including inflation
Retirees' share of benefit relate costs	$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 75.

Mortality rates for service retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates for disabled retirees were based on the gender distinct RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 12. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	$ 247,352
Changes for the year:	
Service Cost	9,731
Interest	9,484
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	20,853
Benefit payments	(2,654)
Net changes	37,414
Balance at 12/31/2017	$ 284,766

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase Discount Rate (4.31%)
City's Total OPEB Liability	$ 338,400	$ 284,766	$ 242,910

D. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $23,369.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

NOTE 12. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual economic experience	-	-
Changes in assumptions and other inputs	-	16,699
Contributions subsequent to the measurement date	N/A	-
Total	-	16,699

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2018	$ 4,154
2019	4,154
2020	4,154
2021	4,154
2022	83
Thereafter	-
Total	$ 16,699

NOTE 13: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

B. Litigation

The City has claims or lawsuits arising from the normal course of business. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of City management and legal counsel that they will not have a material adverse effect on the financial condition of the City.

NOTE 14: CONTRACTS AND COMMITMENTS

A. Wastewater Treatment

On April 18, 2017, the City Council approved a 20 year agreement with the City of Fort Worth whereby Fort Worth agreed to provide wastewater treatment to the City. The agreement allows the City to connect its wastewater system to the Fort Worth waste water system. Charges to the City are based upon cost-of-service rate studies performed by independent utility rate consultants. This contract has been amended various times during the years. Charges during the year for the treatment of wastewater by the City of Fort Worth were $495,459.

B. Water Treatment

The City entered into a 20 year agreement with the City of Fort Worth effective January 1, 2011 through September 30, 2031 whereby Fort Worth agreed to provide treated water to the City. Rates to purchase the water will be based upon a cost-of-service rate study conducted every three years by independent utility rate consultants. Charges during the year for the purchase of treated water from the City of Fort Worth were $678,544.

C. Transportation of Sewerage

On May 13, 1986, the City entered into an agreement with the City of Hurst to allow sewerage to be metered in Hurst then transported through the Trinity River Authority Calloway Branch sewer line to the city of Fort Worth. Charges to the City are based upon current sewer rates charged to Hurst by the Trinity River Authority and a $75.00 per month meter service charge. Charges during the year from the City of Hurst were $177,619.

D. Transportation

The City has been a member of the Fort Worth Transportation Authority and the price of membership is a ½ cent sales tax within Richland Hills. In November 2016 voters of the City voted to not continue participation in the Fort Worth Transportation Authority. State law allows the transit authority to levy an exit fee and the Texas State Comptroller has certified an exit fee of $3,774,822. The transit authority will continue to collect the ½ cent sales tax until the exit fee is satisfied. The City can reallocate the sales tax for its own purposes once the exit fee has been satisfied. The City has contracted with a third party to provide transportation services in the City.

NOTE 15: TAX ABATEMENTS

The City is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with companies and has agreed to provide grants and rebates of hotel occupancy tax or sales tax.

NOTE 15: TAX ABATEMENTS (Continued)

Type of Business	Purpose	Tax Abated	Percent Abated	Amount Abated
Hotels	Construct and operate hotel	Hotel occupancy	40%	$ 92,418
Commercial	Construct new facility	Sales tax	50% of 1 cent	$ 6,645
Grocery Store	Construct new facility and operate grocery store	Sales tax	35% of 1 cent	$ 20,853

NOTE 16: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 25, 2019, which is the date the financial statements were available to be issued.

NOTE 17: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions.

Beginning net position of the governmental activities, business-type activities, water and sewer fund and drainage utility fund were reduced by the following prior year adjustments:

	Governmental Activities	Business-type Activities	Water and Sewer Fund	Drainage Utility Fund
Total OPEB liabilty 09/30/17	$ (219,451)	$ (27,901)	$ (26,887)	$ (1,014)

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT E-1

CITY OF RICHLAND HILLS, TEXAS
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 2,236,000	$ 2,236,000	$ 2,416,024	$ 180,024
Sales	3,102,100	3,217,100	3,267,337	50,237
Franchise	572,000	572,000	548,966	(23,034)
Fines and forfeitures	341,900	343,980	354,985	11,005
Licenses and permits	182,380	182,380	138,751	(43,629)
Charges for service	724,200	722,120	687,291	(34,829)
Intergovernmental revenue	42,000	42,000	7,245	(34,755)
Investment earnings	1,100	1,100	32,580	31,480
Other revenue	80,000	80,000	77,143	(2,857)
Total revenues	7,281,680	7,396,680	7,530,322	133,642
EXPENDITURES				
Current				
General government	1,721,105	1,693,706	1,693,517	189
Public safety	3,715,926	3,831,955	3,836,488	(4,533)
Public works	202,359	202,359	185,479	16,880
Culture and recreation	1,109,459	1,118,613	1,041,613	77,000
Parks and beautification	117,000	167,975	125,182	42,793
Community development	457,988	482,988	481,077	1,911
Capital outlay	278,865	212,777	219,034	(6,257)
Debt service:				
Principal	-	46,706	55,110	(8,404)
Interest and fiscal agent charges	-	3,253	6,123	(2,870)
Total expenditures	7,602,702	7,760,332	7,643,623	116,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(321,022)	(363,652)	(113,301)	250,351
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of general capital assets	15,000	15,000	77,295	62,295
Transfers in	306,022	1,906,022	1,906,022	-
Transfers out	-	(1,600,000)	(1,605,578)	(5,578)
Total other financing sources (uses)	321,022	321,022	377,739	56,717
NET CHANGE IN FUND BALANCES	-	(42,630)	264,438	307,068
FUND BALANCE, OCTOBER 1, 2017	2,691,366	2,691,366	2,691,366	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 2,691,366	$ 2,648,736	$ 2,955,804	$ 307,068

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-2

CITY OF RICHLAND HILLS, TEXAS
Crime Control District
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Sales	$ 1,162,500	$ 1,162,500	$ 1,293,803	$ 131,303
Investment earnings	105	105	458	353
Total revenues	1,162,605	1,162,605	1,294,261	131,656
EXPENDITURES				
Current				
Public safety	1,011,699	1,050,309	1,020,482	29,827
Capital outlay	251,612	401,612	336,157	65,455
Total expenditures	1,263,311	1,451,921	1,356,639	95,282
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(100,706)	(289,316)	(62,378)	226,938
OTHER FINANCING SOURCES (USES)				
Transfers in	-	150,000	150,000	-
Transfers out	(12,443)	(12,443)	(12,903)	(460)
Total other financing sources (uses)	(12,443)	137,557	137,097	(460)
NET CHANGE IN FUND BALANCES	(113,149)	(151,759)	74,719	226,478
FUND BALANCE, OCTOBER 1, 2017	433,585	433,585	433,585	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 320,436	$ 281,826	$ 508,304	$ 226,478

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-3

CITY OF RICHLAND HILLS, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017
Total Pension Liability				
Service Cost	$ 687,735	$ 747,466	$ 768,050	$ 818,261
Interest (on the Total Pension Liability)	1,871,624	1,924,741	1,944,232	2,011,541
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(712,052)	(370,657)	$ (390,269)	$ (298,938)
Change of assumptions	-	212,735	-	-
Benefit payments, including refunds of employee contributions	(978,956)	(1,257,766)	(1,177,105)	(1,522,784)
Net Change in Total Pension Liability	868,351	1,256,519	1,144,908	1,008,080
Total Pension Liability - Beginning	26,883,097	27,751,448	29,007,967	30,152,875
Total Pension Liability - Ending	$ 27,751,448	$ 29,007,967	$ 30,152,875	$ 31,160,955
Plan Fiduciary Net Position				
Contributions - Employer	$ 721,134	$ 736,648	$ 675,283	$ 713,878
Contributions - Employee	284,230	291,329	292,511	309,612
Net Investment Income	1,371,030	37,404	1,698,601	3,687,182
Benefit payments, including refunds of employee contributions	(978,956)	(1,257,766)	(1,177,105)	(1,522,784)
Administrative Expense	(14,314)	(22,782)	(19,182)	(19,106)
Other	(1,177)	(1,125)	(1,034)	(968)
Net Change in Plan Fiduciary Net Position	1,381,947	(216,292)	1,469,074	3,167,814
Plan Fiduciary Net Position - Beginning	23,965,772	25,347,719	25,131,427	26,600,501
Plan Fiduciary Net Position - Ending	$ 25,347,719	$ 25,131,427	$ 26,600,501	$ 29,768,315
Net Pension Liability - Ending	$ 2,403,729	$ 3,876,540	$ 3,552,374	$ 1,392,640
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.34%	86.64%	88.22%	95.53%
Covered Payroll	$ 4,060,434	$ 4,161,836	$ 4,178,724	$ 4,423,034
Net Pension Liability as a Percentage of Covered Payroll	59.20%	93.14%	85.01%	31.49%

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-4

CITY OF RICHLAND HILLS, TEXAS
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	$ 701,213	$ 722,326	$ 713,791	$ 711,966	$ 762,645
Contributions in relation to the actuarially determined contribution	$ 701,213	$ 722,326	$ 713,791	$ 711,966	$ 762,645
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,013,063	$ 4,145,235	$ 4,303,832	$ 4,409,872	$ 4,755,061
Contributions as a percentage of covered payroll	17.47%	17.43%	16.59%	16.14%	16.04%

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-5

CITY OF RICHLAND HILLS, TEXAS
Schedule of Changes in OPEB Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2017
Total OPEB Liability	
Service Cost	$ 9,731
Interest (on the Total OPEB Liability)	9,484
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	20,853
Benefit payments, including refunds of employee contributions	(2,654)
Net Change in Total OPEB Liability	37,414
Total OPEB Liability - Beginning	247,352
Total OPEB Liability - Ending	$ 284,766
Covered Payroll	$ 4,423,034
Total OPEB Liability as a Percentage of Covered Payroll	6.44%

The accompanying notes to required supplementary information are an integral part of this schedule.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Crime Control District, Court Building Security Special Revenue Fund, Richland Hills Development Corporation Special Revenue Fund, Court Technology Special Revenue Fund, Red Light Camera Enforce Special Revenue Fund, Hotel Occupancy Tax Special Revenue Fund, Crime Victim Liaison Special Revenue Fund, Debt Service Fund, Road and Street Capital Project Fund and Oil & Gas Lease Capital Projects Fund. All annual appropriations lapse at fiscal year end.

At least 35 days prior to the beginning of the budget year, October 1, the City Manager will submit his proposed city budget for the ensuing year to the City Council. From its date of submission, the proposed budget shall be a public record. The City Council shall hold a public hearing on the proposed budget at least 14 days before the beginning of the budget year. At least 10 days notice of such public hearing will be given by notice in the official newspaper. After a hearing, the City Council may make such changes it deems proper in the proposed budget and adopt a final budget prior to the beginning of the budget year. All budget hearings and actions on the budget shall be open to the public. If a final budget is not adopted by the beginning of the budget year, the proposed budget of the City Manager shall be deemed to have been approved. The budget shall go into effect on the first day of the budget year. The budget may be amended during the year only after complying with the notice procedure called for above for adoption of the budget. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either canceled or appropriately provided for in the subsequent year's budget.

The City's budget was properly amended throughout the year as needed.

B. Excess of Expenditures Over Appropriations

The following funds had actual expenditures that exceeded appropriations.

Fund	Amount	Explanation
Hotel Occupancy	13,594	Tax abatement over budget because the the amount of tax collected also increased.

C. Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no benefit changes during the year.

D. Schedule of Changes in OPEB Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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SPECIAL REVENUE FUNDS

The special revenue funds are sued to account for the proceeds of specific revenue sources (other than major capital projects or proprietary funds) that are legally restricted to expenditures for specified purposes.

Court Building Security Fund is used to account for the City's share of fines to be used to enhance building security for municipal court.

The **Richland Hills Development Corporation** is a blended component unit which accounts for the promotion of infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City.

Court Technology Fund is used to account for the City's share of fines to be used for improvements to municipal court technology.

Red Light Camera Enforce Fund accounts for all revenues and expenditures related to red light cameras placed at intersections in the City.

The **Hotel Occupancy Tax Fund** accounts for the proceeds of a 7 percent hotel occupancy tax and expenditures related tourism.

The **Crime Victim Liaison Fund** is used to account for expenses of the crime victim liaison cops grant.

DEBT SERVICE FUND

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL PROJECT FUNDS

The Capital Project Funds account for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the Enterprise Funds.

The **Road and Street Fund** is used to account for intergovernmental revenue received from the Fort Worth Transportation Authority and improvements made to the City's infrastructure.

The **Oil and Gas Lease Fund** is used to account for the proceeds of the oil and gas lease bonus and future expenditures for capital projects.

The **Capital Projects Fund** accounts for the purchase of equipment by the City.

The **2011 PPFCO Fund** accounts for the 2011 Public Property Financial Contractual Obligation, which will be used to purchase an ambulance, patrol vehicles, service trucks, tractor and equipment.

The **Baker Boulevard Projects Fund** is used to account for the receipts of the Baker Boulevard TIF zone and the green ribbon and intersection projects.

The **Link Activity Center Fund** is used to account for the construction of the multi-purpose community facility.

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Special Revenue						
	Court Building Security	Richland Hills Development Corporation	Court Technology	Red Light Camera Enforce	Hotel Occupancy Tax	Crime Victim Liaison	Total Special Revenue Funds
ASSETS							
Cash	$ -	$ 185,373	$ -	$ -	$ -	$ -	$ 185,373
Investments	5,010	-	98	-	269,087	-	274,195
Receivables (Net of allowances for uncollectibles)							
Property tax	-	-	-	-	-	-	-
Sales tax	-	66,245	-	-	17,932	-	84,177
Accounts	-	-	-	111,938	-	-	111,938
Intergovernmental	-	-	-	-	-	32,049	32,049
Other	-	-	-	-	-	-	-
Total assets	$ 5,010	$ 251,618	$ 98	$ 111,938	$ 287,019	$ 32,049	$ 687,732
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	$ -	$ 179	$ 98	$ 53,880	$ 7,173	$ 782	$ 62,112
Accrued liabilities	-	377	-	-	-	7,171	7,548
Due to other funds	-	-	-	24,867	-	-	24,867
Total liabilities	-	556	98	78,747	7,173	7,953	94,527
Deferred inflows of resources							
Deferred revenue	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Fund Balance:							
Restricted for:							
Public Safety	5,010	-	-	33,191	-	24,096	62,297
Economic Development	-	251,062	-	-	279,846	-	530,908
Debt Service	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	5,010	251,062	-	33,191	279,846	24,096	593,205
Total liabilities, deferred inflows of resources and fund balances	$ 5,010	$ 251,618	$ 98	$ 111,938	$ 287,019	$ 32,049	$ 687,732

EXHIBIT F-1

	Capital Projects							
Debt Service	Road and Street	Oil & Gas Lease	Capital Projects	2011 PPFCO	Baker Boulevard Projects	Link Activity Center	Total Capital Projects Funds	Total Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 194,114	$ 194,114	$ 379,487
310,512	15,521	223,299	2,711	-	552,089	-	793,620	1,378,327
							-	
							-	
14,680	-	-	-	-	-	-	-	14,680
-	-	-	-	-	-	-	-	84,177
-	-	-	-	-	-	-	-	111,938
-	-	-	-	-	4,148	-	4,148	36,197
-	-	18,047	-	-	-	-	18,047	18,047
$ 325,192	$ 15,521	$ 241,346	$ 2,711	$ -	$ 556,237	$ 194,114	$ 1,009,929	$ 2,022,853
$ -	$ -	$ -	$ -	$ -	$ 1,483	$ 18,398	$ 19,881	$ 81,993
-	-	-	-	-	-	-	-	7,548
-	-	-	-	-	-	-	-	24,867
-	-	-	-	-	1,483	18,398	19,881	114,408
14,678	-	-	-	-	4,148	-	4,148	18,826
14,678	-	-	-	-	4,148	-	4,148	18,826
-	-	-	-	-	-	-	-	62,297
-	-	-	-	-	-	-	-	530,908
310,514	-	-	-	-	-	-	-	310,514
-	15,521	241,346	-	-	550,606	175,716	983,189	983,189
-	-	-	2,711	-	-	-	2,711	2,711
310,514	15,521	241,346	2,711	-	550,606	175,716	985,900	1,889,619
$ 325,192	$ 15,521	$ 241,346	$ 2,711	$ -	$ 556,237	$ 194,114	$ 1,009,929	$ 2,022,853

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2018

	Special Revenue						
	Court Building Security	Richland Hills Development Corporation	Court Technology	Red Light Camera Enforce	Hotel Occupancy Tax	Crime Victim Liaison	Total Special Revenue Funds
REVENUES							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales	-	416,528	-	-	-	-	416,528
Hotel occupancy tax	-	-	-	-	231,045	-	231,045
Fines and forfeitures	4,834	-	6,434	389,346	-	-	400,614
Intergovernmental revenue	-	-	-	-	-	165,666	165,666
Investment earnings	-	47	-	-	-	-	47
Other revenue	-	-	-	-	-	-	-
Total revenue	4,834	416,575	6,434	389,346	231,045	165,666	1,213,900
EXPENDITURES							
Current:							
Public safety	-	-	7,339	383,647	-	167,085	558,071
Economic development	-	10,192	-	-	117,452	-	127,644
Capital Outlay	-	-	-	45,376	-	-	45,376
Debt Service							
Principal	-	120,000	-	-	55,000	-	175,000
Interest	-	109,213	-	-	49,263	-	158,476
Bond Issuance Cost							
Total expenditures	-	239,405	7,339	429,023	221,715	167,085	1,064,567
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,834	177,170	(905)	(39,677)	9,330	(1,419)	149,333
Other financing sources (uses):							
Bond Proceeds	-	-	-	-	-	-	-
Refund of Existing Debt							
Transfers in	-	-	-	-	-	5,578	5,578
Transfers out	-	(43,995)	-	(1,269)	(12,903)	-	(58,167)
Total other financing sources (uses):	-	(43,995)	-	(1,269)	(12,903)	5,578	(52,589)
NET CHANGE IN FUND BALANCES	4,834	133,175	(905)	(40,946)	(3,573)	4,159	96,744
FUND BALANCE, OCTOBER 1, 2017	176	117,887	905	74,137	283,419	19,937	496,461
FUND BALANCE, SEPTEMBER 30, 2018	$ 5,010	$ 251,062	$ -	$ 33,191	$ 279,846	$ 24,096	$ 593,205

	Capital Projects							
Debt Service	Road and Street	Oil & Gas Lease	Capital Projects	2011 PPFCO	Baker Boulevard Projects	Link Activity Center	Total Capital Projects Funds	Total Nonmajor Funds
$ 555,062	$ -	$ -	$ -	$ -	$ 90,419	$ -	$ 90,419	$ 645,481
-	-	-	-	-	104,325	-	104,325	520,853
-	-	-	-	-	-	-	-	231,045
-	-	-	-	-	-	-	-	400,614
-	-	-	-	-	39,582	-	39,582	205,248
-	-	-	-	-	-	-	-	47
-	-	96,263	-	-	-	-	96,263	96,263
555,062	-	96,263	-	-	234,326	-	330,589	2,099,551
-	-	-	-	-	-	-	-	558,071
-	-	-	-	-	-	-	-	127,644
-	4,171	57,010	-	-	15,187	276,155	352,523	397,899
175,500	-	-	-	-	-	-	-	350,500
307,313	-	-	-	-	-	-	-	465,789
5,852								5,852
488,665	4,171	57,010	-	-	15,187	276,155	352,523	1,905,755
66,397	(4,171)	39,253	-	-	219,139	(276,155)	(21,934)	193,796
228,750	-	-	-	-	-	-	-	228,750
(222,444)							-	(222,444)
-	-	-	-	-	-		-	5,578
-	-	-	-	(24,760)	-	(150,000)	(174,760)	(232,927)
6,306	-	-	-	(24,760)	-	(150,000)	(174,760)	(221,043)
72,703	(4,171)	39,253	-	(24,760)	219,139	(426,155)	(196,694)	(27,247)
237,811	19,692	202,093	2,711	24,760	331,467	601,871	1,182,594	1,916,866
$ 310,514	$ 15,521	$ 241,346	$ 2,711	$ -	$ 550,606	$ 175,716	$ 985,900	$ 1,889,619

EXHIBIT G-1

CITY OF RICHLAND HILLS, TEXAS
Court Building Security Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	$ 6,800	$ 6,800	$ 4,834	$ (1,966)
Investment earnings	25	25	-	(25)
Total revenues	6,825	6,825	4,834	(1,991)
NET CHANGE IN FUND BALANCES	6,825	6,825	4,834	(1,991)
FUND BALANCE, OCTOBER 1, 2017	176	176	176	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 7,001	$ 7,001	$ 5,010	$ (1,991)

EXHIBIT G-2

CITY OF RICHLAND HILLS, TEXAS
Richland Hills Development Corporation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Sales	$ 387,500	$ 387,500	$ 416,528	$ 29,028
Investment earnings	110	110	47	(63)
Total revenues	387,610	387,610	416,575	28,965
EXPENDITURES				
Current				
Economic development	20,755	20,755	10,192	10,563
Debt service:				
Principal	-	120,000	120,000	-
Interest and fiscal agent charges	-	109,213	109,213	-
Total expenditures	20,755	249,968	239,405	10,563
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	366,855	137,642	177,170	39,528
OTHER FINANCING SOURCES (USES)				
Transfers out	(273,208)	(43,995)	(43,995)	-
Total other financing sources (uses)	(273,208)	(43,995)	(43,995)	-
NET CHANGE IN FUND BALANCES	93,647	93,647	133,175	39,528
FUND BALANCE, OCTOBER 1, 2017	117,887	117,887	117,887	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 211,534	$ 211,534	$ 251,062	$ 39,528

EXHIBIT G-3

CITY OF RICHLAND HILLS, TEXAS
Court Technology Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	$ 9,100	$ 9,100	$ 6,434	$ (2,666)
Total revenues	9,100	9,100	6,434	(2,666)
EXPENDITURES				
Current				
Public safety	8,578	8,578	7,339	1,239
Total expenditures	8,578	8,578	7,339	1,239
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	522	522	(905)	(1,427)
NET CHANGE IN FUND BALANCES	522	522	(905)	(1,427)
FUND BALANCE, OCTOBER 1, 2017	905	905	905	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 1,427	$ 1,427	$ -	$ (1,427)

EXHIBIT G-4

CITY OF RICHLAND HILLS, TEXAS
Red Light Camera Enforce Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	$ 368,800	$ 368,800	$ 389,346	$ 20,546
Total revenues	368,800	368,800	389,346	20,546
EXPENDITURES				
Current				
Public safety	365,081	435,081	383,647	51,434
Capital outlay	-	-	45,376	(45,376)
Total expenditures	365,081	435,081	429,023	6,058
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,719	(66,281)	(39,677)	26,604
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,269)	(1,269)	(1,269)	-
Total other financing sources (uses)	(1,269)	(1,269)	(1,269)	-
NET CHANGE IN FUND BALANCES	2,450	(67,550)	(40,946)	26,604
FUND BALANCE, OCTOBER 1, 2017	74,137	74,137	74,137	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 76,587	$ 6,587	$ 33,191	$ 26,604

EXHIBIT G-5

CITY OF RICHLAND HILLS, TEXAS
Hotel Occupancy Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Hotel occupancy tax	$ 202,104	$ 202,104	$ 231,045	$ 28,941
Investment earnings	60	60	-	(60)
Total revenues	202,164	202,164	231,045	28,881
EXPENDITURES				
Current				
Economic development	103,858	103,858	117,452	(13,594)
Debt service:				
Principal	-	55,000	55,000	-
Interest and fiscal agent charges	-	49,263	49,263	-
Total expenditures	103,858	208,121	221,715	(13,594)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	98,306	(5,957)	9,330	15,287
OTHER FINANCING SOURCES (USES)				
Transfers out	(118,125)	(13,862)	(12,903)	959
Total other financing sources (uses)	(118,125)	(13,862)	(12,903)	959
NET CHANGE IN FUND BALANCES	(19,819)	(19,819)	(3,573)	16,246
FUND BALANCE, OCTOBER 1, 2017	283,419	283,419	283,419	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 263,600	$ 263,600	$ 279,846	$ 16,246

EXHIBIT G-6

CITY OF RICHLAND HILLS, TEXAS
Crime Victim Liaison Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental revenue	$ 171,324	$ 171,324	$ 165,666	$ (5,658)
Total revenues	171,324	171,324	165,666	(5,658)
EXPENDITURES				
Current				
Public safety	196,741	196,741	167,085	29,656
Total expenditures	196,741	196,741	167,085	29,656
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,417)	(25,417)	(1,419)	23,998
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,578	5,578
Total other financing sources (uses)	-	-	5,578	5,578
NET CHANGE IN FUND BALANCES	(25,417)	(25,417)	4,159	29,576
FUND BALANCE, OCTOBER 1, 2017	19,937	19,937	19,937	-
FUND BALANCE, SEPTEMBER 30, 2018	$ (5,480)	$ (5,480)	$ 24,096	$ 29,576

EXHIBIT G-7

CITY OF RICHLAND HILLS, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property taxes	$ 502,096	$ 502,096	$ 555,062	$ 52,966
Total revenues	502,096	502,096	555,062	52,966
EXPENDITURES				
Debt service:				
Principal	190,000	190,000	175,500	14,500
Interest and fiscal agent charges	312,096	312,096	307,313	4,783
Bond issuance costs	-	-	5,852	(5,852)
Total expenditures	502,096	502,096	488,665	13,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	66,397	66,397
OTHER FINANCING SOURCES (USES)				
Bond Proceeds			228,750	228,750
Refund of Existing Debt	-	-	(222,444)	(222,444)
Total other financing sources (uses)	-	-	6,306	6,306
NET CHANGE IN FUND BALANCES	-	-	72,703	72,703
FUND BALANCE, OCTOBER 1, 2017	237,811	237,811	237,811	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 237,811	$ 237,811	$ 310,514	$ 72,703

EXHIBIT G-8

CITY OF RICHLAND HILLS, TEXAS
Road and Street Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment earnings	$ 25	$ 25	$ -	$ (25)
Total revenues	25	25	-	(25)
EXPENDITURES				
Capital outlay	19,692	19,692	4,171	15,521
Total expenditures	19,692	19,692	4,171	15,521
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,667)	(19,667)	(4,171)	15,496
NET CHANGE IN FUND BALANCES	(19,667)	(19,667)	(4,171)	15,496
FUND BALANCE, OCTOBER 1, 2017	19,692	19,692	19,692	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 25	$ 25	$ 15,521	$ 15,496

EXHIBIT G-9

CITY OF RICHLAND HILLS, TEXAS
Oil & Gas Lease Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment earnings	$ 130	$ 130	$ -	$ (130)
Other revenue	30,000	30,000	96,263	66,263
Total revenues	30,130	30,130	96,263	66,133
EXPENDITURES				
Capital outlay	190,000	190,000	57,010	132,990
Total expenditures	190,000	190,000	57,010	132,990
NET CHANGE IN FUND BALANCES	(159,870)	(159,870)	39,253	199,123
FUND BALANCE, OCTOBER 1, 2017	202,093	202,093	202,093	-
FUND BALANCE, SEPTEMBER 30, 2018	$ 42,223	$ 42,223	$ 241,346	$ 199,123

STATISTICAL DATA
(Unaudited)

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CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018
STATISTICAL SECTION INDEX
(Unaudited)

This part of the City of Richland Hills' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	TABLES
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1-4
REVENUE CAPACITY These schedules contain information to help the reader assess the government's most significant local revenue sources, property and sales tax.	5-10
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	11-15
DEMOGRAPHIC AND ECONOMIC INFORMATION These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	16-17
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	18-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

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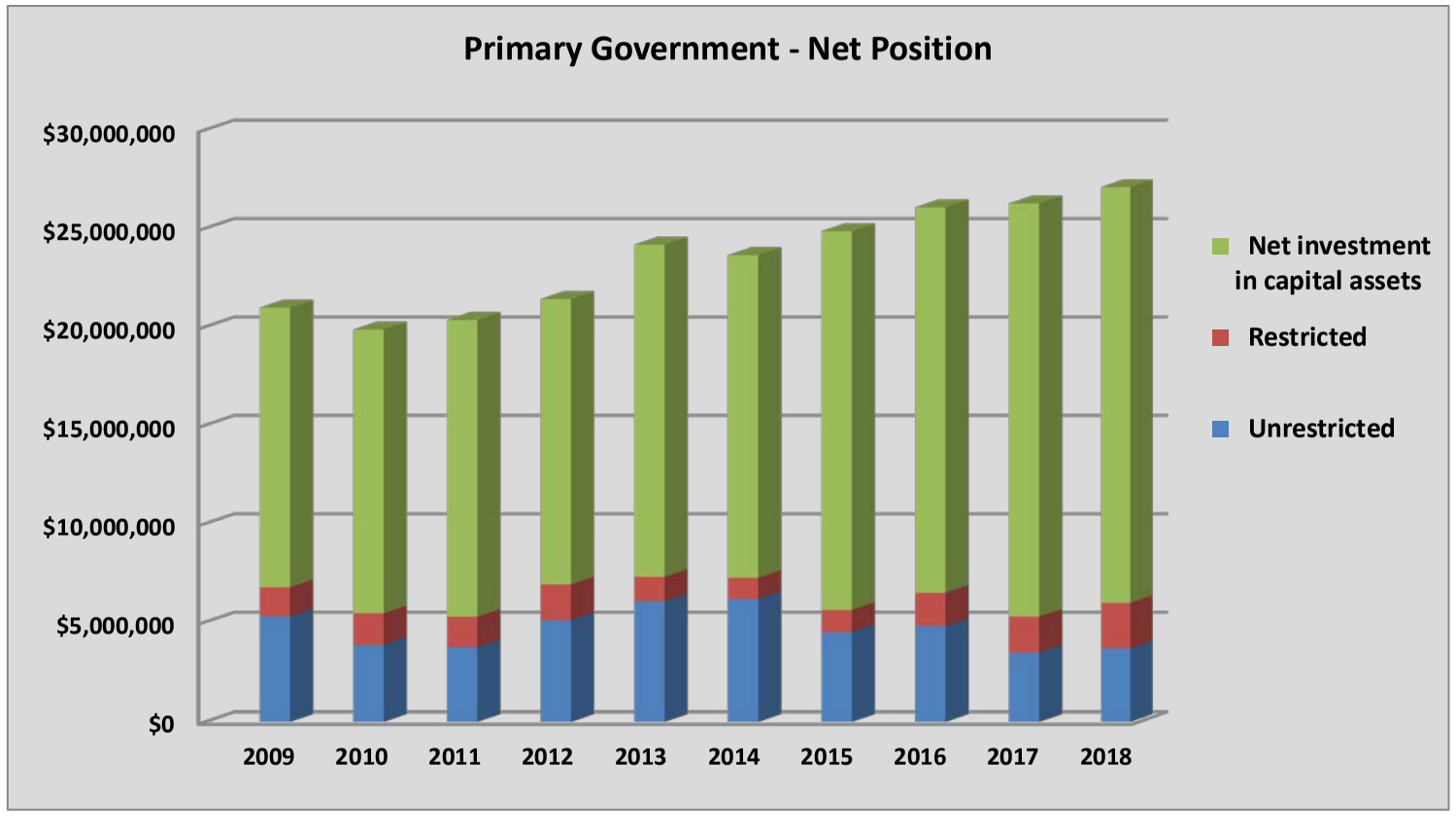
CITY OF RICHLAND HILLS, TEXAS **TABLE 1**
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental activities:										
Net investment in capital assets	$ 8,108,808	$ 8,215,829	$ 7,815,576	$ 7,603,080	$ 9,777,284	$ 10,136,996	$ 10,450,781	$ 10,653,314	$11,342,503	$10,617,667
Restricted	439,715	375,753	1,542,536	1,811,780	1,245,956	1,069,428	1,127,400	1,692,036	1,812,889	2,298,796
Unrestricted	5,273,862	4,153,765	2,564,977	2,359,827	2,240,995	3,410,142	2,205,841	2,791,787	1,415,184	1,708,787
Total governmental activities net position	$ 13,822,385	$ 12,745,347	$ 11,923,089	$ 11,774,687	$ 13,264,235	$ 14,616,566	$ 13,784,022	$ 15,137,137	$14,570,576	$14,625,250
Business-type activities:										
Net investment in capital assets	$ 6,093,323	$ 6,194,852	$ 7,255,716	$ 6,893,293	$ 7,096,222	$ 6,254,783	$ 8,788,016	$ 8,921,383	$9,637,000	$10,501,116
Restricted	1,039,337	1,212,169	-	-	-	-	-	-	-	-
Unrestricted	18,269	(290,156)	1,170,660	2,745,136	3,811,452	2,770,715	2,284,595	2,010,464	2,053,701	1,968,931
Total business-type activities net position	$ 7,150,929	$ 7,116,865	$ 8,426,376	$ 9,638,429	$ 10,907,674	$ 9,025,498	$ 11,072,611	$ 10,931,847	$11,690,701	$12,470,047
Primary government:										
Net investment in capital assets	$ 14,202,131	$ 14,410,681	$ 15,071,292	$ 14,496,373	$ 16,873,506	$ 16,391,779	$ 19,238,797	$ 19,574,697	$20,979,503	$21,118,783
Restricted	1,479,052	1,587,922	1,542,536	1,811,780	1,245,956	1,069,428	1,127,400	1,692,036	1,812,889	2,298,796
Unrestricted	5,292,131	3,863,609	3,735,637	5,104,963	6,052,447	6,180,857	4,490,436	4,802,251	3,468,885	3,677,718
Total primary government activities net position	$ 20,973,314	$ 19,862,212	$ 20,349,465	$ 21,413,116	$ 24,171,909	$ 23,642,064	$ 24,856,633	$ 26,068,984	$26,261,277	$27,095,297



CITY OF RICHLAND HILLS, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2009	**2010**	**2011**	**2012**	**2013**
EXPENSES					
Governmental activities:					
General government	$ 396,736	$ 409,627	$ 452,544	$ 628,950	$ 654,916
Public safety	4,727,024	5,269,229	5,032,257	4,903,622	4,977,046
Public works	1,445,582	1,339,330	1,151,899	1,211,553	716,031
Culture and recreation	317,101	364,142	453,741	389,982	435,470
Parks and beautification	46,457	26,670	21,182	34,013	15,628
Community development	135,632	126,422	612,100	614,100	757,894
Economic development	-	-	-	-	-
Interest and fiscal agent charges	82,847	74,760	56,979	79,132	70,283
Bond issuance costs	-	-	-	-	-
Total governmental activities expenses	7,151,379	7,610,180	7,780,702	7,861,352	7,627,268
Business-type activities:					
Water and wastewater	3,564,422	3,904,845	3,845,749	3,647,012	3,183,727
Drainage utility	134,218	153,742	440,644	328,298	548,407
Total business-type activities expenses	3,698,640	4,058,587	4,286,393	3,975,310	3,732,134
Total primary government expenses	$ 10,850,019	$ 11,668,767	$ 12,067,095	$ 11,836,662	$ 11,359,402
PROGRAM REVENUES					
Governmental activities:					
Charges for services	$ 947,396	$ 1,006,141	$ 1,309,146	$ 1,040,455	$ 1,281,205
Operating grants and contributions	164,926	230,056	268,290	377,544	382,669
Capital grants and contributions	352,102	226,239	393,993	280,848	1,885,625
Total governmental activities program revenues	1,464,424	1,462,436	1,971,429	1,698,847	3,549,499
Business-type activities					
Charges for services	3,829,532	4,004,950	5,283,041	5,058,622	4,933,914
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	3,829,532	4,004,950	5,283,041	5,058,622	4,933,914
Total primary government program revenues	$ 5,293,956	$ 5,467,386	$ 7,254,470	$ 6,757,469	$ 8,483,413
NET (EXPENSE) REVENUE					
Governmental activities	$ (5,686,955)	$ (6,147,744)	$ (5,809,273)	$ (6,162,505)	$ (4,077,769)
Business-type activities	130,892	(53,637)	996,648	1,083,312	1,201,780
Total primary government net expense	$ (5,556,063)	$ (6,201,381)	$ (4,812,625)	$ (5,079,193)	$ (2,875,989)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes					
Property	$ 2,083,969	$ 2,119,563	$ 2,197,570	$ 2,204,507	$ 2,174,946
Sales	2,262,356	2,210,327	2,593,770	3,077,839	2,743,469
Franchise	562,590	480,222	509,015	651,374	471,759
Hotel occupancy	52,079	121,561	152,597	182,112	194,967
Investment earnings	9,476	3,925	3,806	2,416	2,076
Miscellaneous	938,837	151,306	97,145	12,053	8,513
Gain (loss) on retirement of capital assets	-	-	-	-	28,678
Transfers in (out)	(266,198)	(16,198)	(300,788)	(116,198)	(57,091)
Total governmental activities	5,643,109	5,070,706	5,253,115	6,014,103	5,567,317
Business-type activities:					
Investment earnings	9,017	3,375	6,347	4,618	4,141
Miscellaneous	-	-	5,728	7,925	6,233
Transfers in (out)	266,198	16,198	300,788	116,198	57,091
Total business-type activities	275,215	19,573	312,863	128,741	67,465
Total primary government	$ 5,918,324	$ 5,090,279	$ 5,565,978	$ 6,142,844	$ 5,634,782
Change in Net Position					
Governmental activities	$ (43,846)	$ (1,077,038)	$ (556,158)	$ (148,402)	$ 1,489,548
Business-type activies	406,107	(34,064)	1,309,511	1,212,053	1,269,245
Total primary government	$ 362,261	$ (1,111,102)	$ 753,353	$ 1,063,651	$ 2,758,793

(Continued)

TABLE 2

	Fiscal Year			
2014	**2015**	**2016**	**2017**	**2018**
$ 1,241,332	$ 1,182,618	$ 1,297,325	$ 2,070,959	$ 1,735,244
5,023,432	4,898,102	5,250,251	5,377,655	5,710,989
641,584	695,387	743,555	682,106	664,835
422,537	413,433	445,559	1,445,683	1,366,158
88,408	74,723	45,555	565,333	567,625
769,346	787,272	527,634	387,387	476,545
-	-	184,833	113,213	127,644
36,102	33,408	272,493	422,212	427,832
-	-	269,037	-	5,852
8,222,741	8,084,943	9,036,242	11,064,548	11,082,724
5,183,820	3,801,600	3,939,736	3,574,827	3,463,115
2,493,216	399,214	609,757	604,158	686,287
7,677,036	4,200,814	4,549,493	4,178,985	4,149,402
$ 15,899,777	$ 12,285,757	$ 13,585,735	$ 15,243,533	$ 15,232,126
$ 1,223,032	$ 1,115,626	$ 1,400,803	$ 1,481,181	$ 1,775,163
332,703	324,176	212,901	225,025	196,804
173,007	298,227	364,313	4,148	39,582
1,728,742	1,738,029	1,978,017	1,710,354	2,011,549
4,697,772	4,698,246	4,916,055	5,058,451	5,144,552
-	-	-	173,079	9,585
4,697,772	4,698,246	4,916,055	5,231,530	5,154,137
$ 6,426,514	$ 6,436,275	$ 6,894,072	$ 6,941,884	$ 7,165,686
$ (6,493,999)	$ (6,346,914)	$ (7,058,225)	$ (9,354,194)	$ (9,071,175)
(2,979,264)	497,432	366,562	1,052,545	1,004,735
$ (9,473,263)	$ (5,849,482)	$ (6,691,663)	$ (8,301,649)	$ (8,066,440)
$ 2,309,156	$ 2,324,952	$ 2,364,093	$ 2,839,255	$ 2,972,668
3,852,303	4,023,815	4,471,407	4,735,759	5,081,993
602,352	590,583	599,094	512,109	560,282
210,250	210,250	232,946	226,677	231,045
1,078	9,701	2,992	16,669	33,085
8,777	8,777	232,653	97,487	149,513
(269,203)	6,452	-	61,519	106,522
413,985	413,985	508,155	298,158	210,192
7,128,698	7,588,515	8,411,340	8,787,633	9,345,300
1,529	1,542	829	4,467	12,704
10,397	10,397	-	-	-
(413,983)	(413,985)	(508,155)	(298,158)	(210,192)
(402,057)	(402,046)	(507,326)	(293,691)	(197,488)
$ 6,726,641	$ 7,186,469	$ 7,904,014	$ 8,493,942	$ 9,147,812
$ 634,699	$ 1,241,601	$ 1,353,115	$ (566,561)	$ 274,125
(3,381,321)	95,386	(140,764)	758,854	807,247
$ (2,746,622)	$ 1,336,987	$ 1,212,351	$ 192,293	$ 1,081,372

(concluded)

CITY OF RICHLAND HILLS, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2009	**2010**	**2011**	**2012**	**2013**
General Fund					
Reserved	$ 83,381	$ 959,203	$ -	$ -	$ -
Unreserved	2,483,768	1,115,619	-	-	-
Nonspendable	-	-	830,477	663,958	432,896
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	1,496,041	1,404,689	1,549,578
Total general fund	$ 2,567,149	$ 2,074,822	$ 2,326,518	$ 2,068,647	$ 1,982,474
All Other Governmental Funds					
Reserved	$ 408,406	$ 351,107	$ -	$ -	$ -
Unreserved, reported in:					
Special revenue funds	1,002,259	1,004,795	-	-	-
Capital project funds	1,033,429	552,409	-	-	-
Restricted	-	-	1,615,422	1,819,068	1,411,511
Assigned	-	-	23,425	23,425	23,425
Unassigned	-	-	-	(47,496)	(40,487)
Total all other governmental funds	$ 2,444,094	$ 1,908,311	$ 1,638,847	$ 1,794,997	$ 1,394,449

(Continued)

Note: The City implemented GASB Statement No. 54 in fiscal year 2011.

TABLE 3

Fiscal Year				
2014	**2015**	**2016**	**2017**	**2018**
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
487,319	-	46,221	1,813	63,242
-	-	57,661	59,086	64,622
-	-	-	-	-
-	-	-	-	-
2,384,982	3,031,436	3,883,656	2,630,467	2,827,940
$ 2,872,301	$ 3,031,436	$ 3,987,538	$ 2,691,366	$ 2,955,804
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
1,511,691	1,513,668	11,552,448	2,347,740	2,395,212
23,425	23,425	40,711	2,711	2,711
(367,364)	(216,619)	(91,145)	-	-
$ 1,167,752	$ 1,320,474	$ 11,502,014	$ 2,350,451	$ 2,397,923

(concluded)

CITY OF RICHLAND HILLS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2009	**2010**	**2011**	**2012**	**2013**
REVENUES					
Taxes	$ 4,945,924	$ 4,935,890	$ 5,683,400	$ 6,074,453	$ 5,634,403
Fines and forfeitures	614,228	654,673	623,663	638,238	901,659
Licenses and permits	69,108	111,859	274,680	144,736	99,370
Charges for service	237,184	240,425	253,010	263,253	279,873
Intergovernmental	426,644	382,703	499,954	337,263	1,989,549
Investment earnings	9,476	3,925	3,806	2,416	2,076
Miscellaneous	984,144	194,319	191,828	340,957	287,258
Total revenues	7,286,708	6,523,794	7,530,341	7,801,316	9,194,188
EXPENDITURES					
Current operations:					
General government	358,134	378,811	424,446	838,508	610,000
Public safety	4,325,390	4,900,216	4,575,681	4,728,371	4,677,900
Public works	656,433	510,250	276,251	298,169	394,109
Culture and recreation	293,622	329,463	382,008	370,103	389,945
Parks and beutification	16,005	4,256	10,378	26,991	8,110
Community development	154,213	197,391	592,442	620,579	753,020
Economic development	-	-	-	-	-
Capital outlay	472,993	913,798	1,235,800	537,927	2,853,936
Debt service:					
Principal	242,000	251,000	331,000	293,000	308,000
Interest and fiscal agent charges	79,663	71,249	83,958	73,191	81,240
Bond issuance costs	-	-	-	-	-
Total expenditures	6,598,453	7,556,434	7,911,964	7,786,839	10,076,260
Excess (deficiency) of revenues over (under) expenditures	688,255	(1,032,640)	(381,623)	14,477	(882,072)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	51,600	20,728	40,709	-	37,442
Proceeds from capital lease	-	-	-	-	-
Proceeds of bond issuance	-	-	473,000	-	415,000
Refund on existing debt	-	-	-	-	-
Bond issuance premium	-	-		-	-
Proceeds from insurance recovery	-	-	50,146	-	-
Transfers in	260,887	320,113	133,006	144,110	146,707
Transfers out	(527,085)	(336,311)	(333,006)	(260,308)	(203,798)
Total other financing sources (uses)	(214,598)	4,530	363,855	(116,198)	395,351
Net change in fund balances	$ 473,657	$ (1,028,110)	$ (17,768)	$ (101,721)	$ (486,721)
Debt service as a percentage of non-capital expenditures	5.25%	4.85%	6.22%	5.05%	5.39%

(Continued)

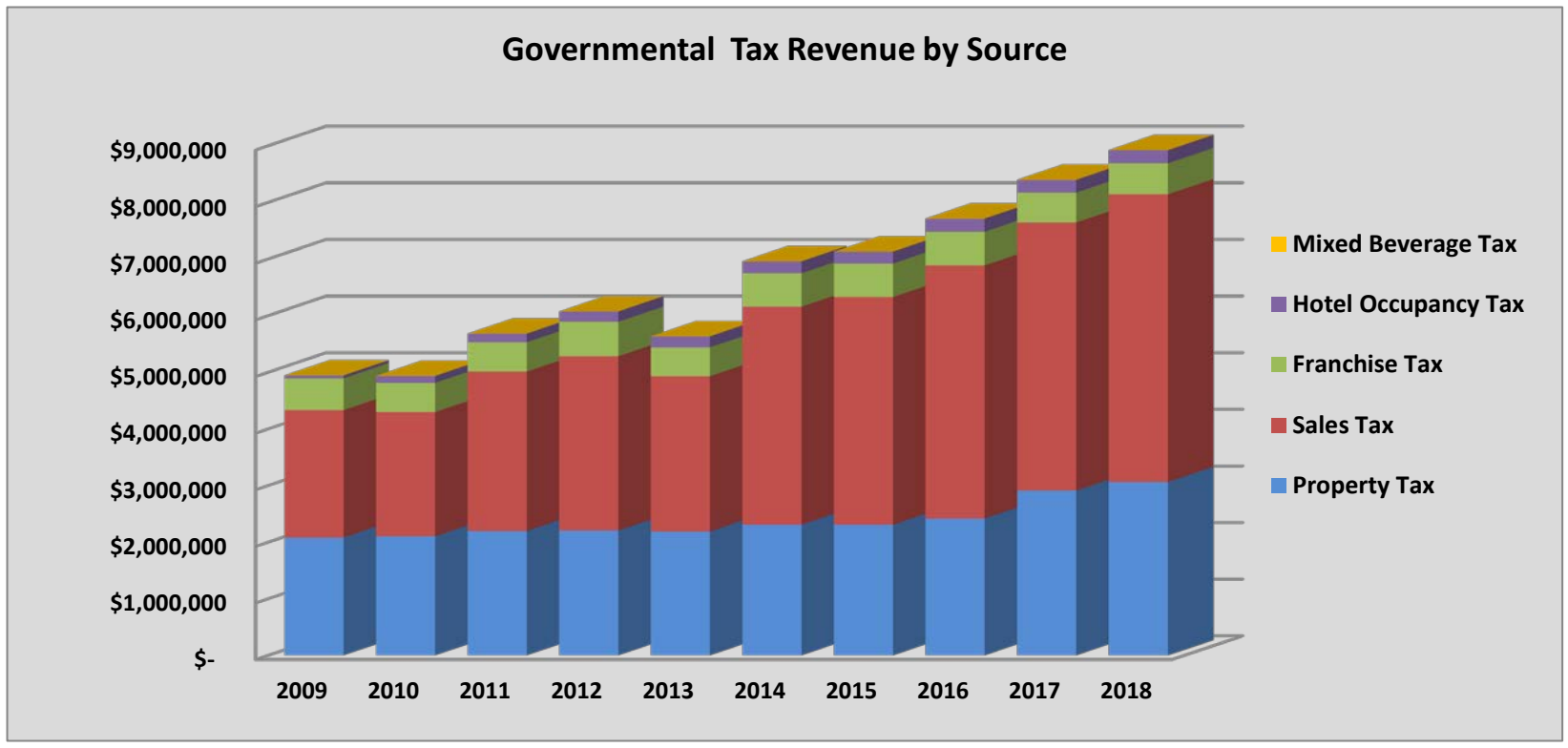
TABLE 4

	Fiscal Year				
	2014	**2015**	**2016**	**2017**	**2018**
	$ 6,959,860	$ 7,131,372	$ 7,715,290	$ 8,400,231	$ 8,923,509
	775,521	775,521	953,662	784,004	755,599
	131,148	131,148	155,834	168,640	138,751
	260,172	260,172	316,544	407,685	687,291
	309,768	485,486	280,429	428,826	212,493
	1,078	1,078	2,992	16,669	33,085
	204,719	145,694	233,745	121,224	173,406
	8,642,266	8,930,471	9,658,496	10,327,279	10,924,134
	1,181,854	1,181,854	1,288,242	2,102,399	1,693,517
	4,788,070	4,789,942	4,948,279	4,955,726	5,415,041
	252,849	252,849	292,570	173,764	185,479
	378,424	378,425	403,527	726,122	1,041,613
	81,620	81,620	45,555	134,826	125,182
	769,346	769,346	438,384	381,325	481,077
	-	-	184,833	113,213	127,644
	921,268	895,743	4,917,553	11,855,499	953,090
	330,000	330,000	355,451	254,729	405,610
	36,404	36,404	24,799	669,467	471,912
	-	-	269,037	-	5,852
	8,739,835	8,716,183	13,168,230	21,367,070	10,906,017
	(97,569)	214,288	(3,509,734)	(11,039,791)	18,117
	-	6,452	40,711	61,519	77,295
	-	-	-	232,379	-
	-	-	13,475,000	-	228,750
	-	-	-	-	(222,444)
	-	-	623,510	-	-
	-	-	-	-	-
	705,559	705,560	942,848	2,498,158	2,061,600
	(291,574)	(291,575)	(434,693)	(2,200,000)	(1,851,408)
	413,985	420,437	14,647,376	592,056	293,793
	$ 316,416	$ 634,725	$ 11,137,642	$ (10,447,735)	$ 311,910
	4.69%	4.69%	4.61%	9.36%	8.79%

(concluded)

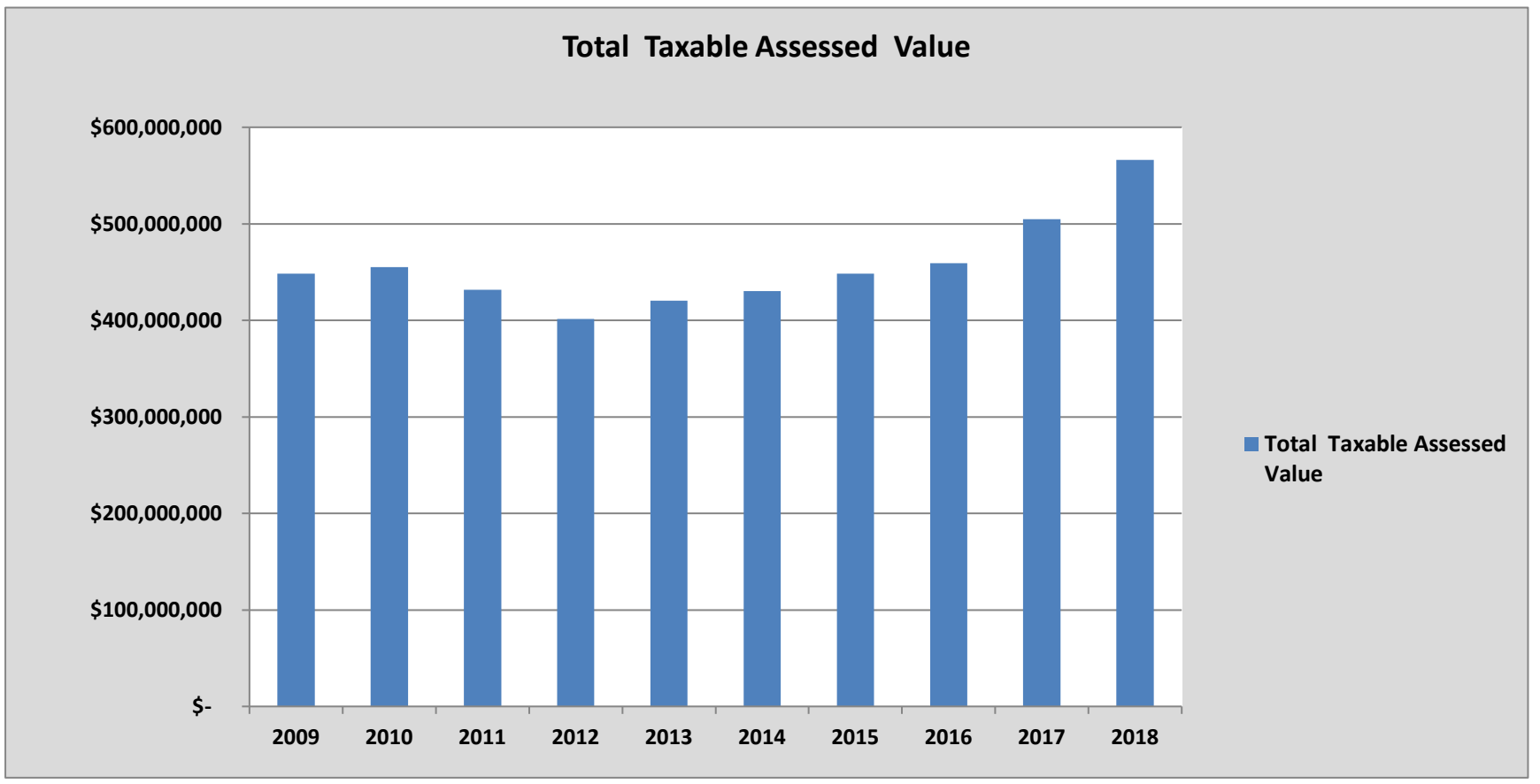
CITY OF RICHLAND HILLS, TEXAS **TABLE 5**
GOVERNMENTAL FUNDS
TAX REVENUE BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year	Property Tax	Sales Tax	Mixed Beverage Tax	Franchise Tax	Hotel Occupancy Tax	Total Tax Revenue
2009	$ 2,079,168	$ 2,252,568	$ 1,955	$ 560,154	$ 52,079	$ 4,945,924
2010	2,101,899	2,194,903	1,716	515,811	121,561	4,935,890
2011	2,194,904	2,816,917	1,661	517,321	152,597	5,683,400
2012	2,205,032	3,076,426	1,413	609,470	182,112	6,074,453
2013	2,187,394	2,741,969	1,500	508,573	194,967	5,634,403
2014	2,306,724	3,850,729	1,574	590,583	210,250	6,959,860
2015	2,306,724	4,021,746	2,069	590,583	210,250	7,131,372
2016	2,416,008	4,469,203	2,204	594,929	232,946	7,715,290
2017	2,909,940	4,733,430	2,329	527,855	226,677	8,400,231
2018	3,061,504	5,080,421	1,572	548,966	231,045	8,923,508



CITY OF RICHLAND HILLS, TEXAS **TABLE 6**
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Assessed Property Value					Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Commercial Property	Industrial Property	Other Property	Personal Property					
2009	$ 277,842,821	$ 88,909,432	$ 10,479,108	$ 272,405	$95,676,055	$ 25,027,659	$ 448,152,162	$ 0.459202	$ 448,152,162	100.0%
2010	284,264,270	105,533,139	10,743,321	237,868	90,162,865	35,902,483	455,038,980	0.473042	455,038,980	100.0%
2011	268,570,340	114,245,698	10,064,358	507,056	73,756,974	35,562,818	431,581,608	0.518012	431,581,608	100.0%
2012	245,970,064	108,710,252	10,440,987	435,104	71,202,225	35,315,955	401,442,677	0.551757	401,442,677	100.0%
2013	233,751,444	132,749,662	11,100,542	4,133,920	78,054,664	39,336,819	420,453,413	0.528094	420,453,413	100.0%
2014	244,644,818	133,773,931	11,034,455	5,204,810	83,241,474	47,763,360	430,136,128	0.528094	430,136,128	100.0%
2015	249,818,804	140,619,127	10,954,105	8,567,090	88,156,960	49,823,877	448,292,209	0.528094	448,292,209	100.0%
2016	252,248,877	148,470,367	10,935,105	6,433,902	89,767,063	48,639,210	459,216,104	0.528805	459,216,104	100.0%
2017	283,204,384	164,847,074	13,090,988	497,316	94,503,549	51,585,738	504,557,573	0.595633	504,557,573	100.0%
2018	317,868,306	199,515,427	14,298,894	111,002	101,993,372	67,615,182	566,171,819	0.563738	566,171,819	100.0%



Source: Tarrant Appraisal District

Note: Property in the City is reassessed each year by the Tarrant Appraisal District.
Property is assessed at actual value; therefore,the assessed values are equal to actual value.

CITY OF RICHLAND HILLS, TEXAS **TABLE 7**
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OVERLAPPING RATES										
Tarrant County	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.244000	0.244000
Tarrant County Hospital District	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.224429	0.224429
Tarrant County Junior College District	0.137960	0.137670	0.137640	0.148970	0.148970	0.149500	0.149500	0.149500	0.140060	0.140060
Birdville Independent School District	1.41000	1.405000	1.425000	1.435000	1.435000	1.435000	1.435000	1.453900	1.453900	1.453900
CITY DIRECT RATES										
Operating & Maintenance	0.408773	0.423707	0.466951	0.485915	0.465214	0.467694	0.469092	0.470680	0.471433	0.460847
Interest & Sinking	0.050429	0.049335	0.051061	0.065842	0.062880	0.060400	0.059002	0.058125	0.124200	0.102891
Total Direct Rate	0.459202	0.473042	0.518012	0.551757	0.528094	0.528094	0.528094	0.528805	0.595633	0.563738
Total Direct & Overlapping Rate	2.499059	2.507609	2.572549	2.627624	2.603961	2.604491	2.604491	2.624102	2.658022	2.626127

Sources: Tarrant Appraisal District and City records.

Note: All rates per $100 assessed value.
Totals are not provided for columns since they would be meaningless.
Some of the jurisdictions are mutually exclusive.

CITY OF RICHLAND HILLS, TEXAS **TABLE 8**
PRINCIPAL PROPERTY TAXPAYERS
Current and Nine Years Ago
(Unaudited)

		2018			2009		
Taxpayer	**Industry**	**2017 Taxable Assessed Valuation***	**Rank**	**Percentage of Total Taxable Assesed Valuation**	**2008 Taxable Assessed Valuation***	**Rank**	**Percentage of Total Taxable Assesed Valuation**
EEBB Apartment LTD	Apartments	$ 20,200,000	1	3.6%	$ -		-
356 Midway Venture LLC	Real Estate/Commercial	15,820,500	2	2.8%	16,300,317	1	3.6%
Buyers Barricades Inc.	Retailer	10,961,605	3	1.9%	-		-
WalMart Stores Texas LLC	Grocery store	8,115,546	4	1.4%	-		-
CN Churchill II and III LC	Hotel	7,670,000	5	1.4%	-		-
Hung Properties #1 LP	Real Estate/Commercial	5,600,000	6	1.0%	-		-
Oncor Electric Co	Utility	5,088,137	8	0.9%	-		-
Charter Communications	Utility	5,084,454	9	0.9%			
Southwestern Bell	Utility	-		-	10,016,035	2	2.2%
Regency Raintree	Apartments	-		-	5,938,300	3	1.3%
Edward L. Baker	Real Estate/Commercial	-		-	3,036,650	4	0.7%
Stuart C Irby Company	Retailer	5,592,546	7	1.0%	3,617,141	5	0.8%
TXU Electric Delivery Co	Utility	-		-	4,120,208	6	0.9%
Nuclear Logistics Inc.	Retailer	-		-	2,884,259	7	0.6%
Composites One LLC	Retailer	-		-	3,173,974	8	0.7%
AHC Richland Hill LLC	Senior living	3,950,000	10	0.01	3,246,614	9	0.7%
Rewal Corp II	Real Estate/Commercial	-		-	2,749,896	10	0.6%
Total		$ 67,882,788		12.0%	$ 55,083,394		12.3%
Total assessed value of other taxpayers		498,289,031		88.0%	393,067,768		87.7%
Total assessed value of all taxpayers		$ 566,171,819		100.0%	$ 448,151,162		100.0%

Source: Tarrant Appraisal District
* Taxpayers assessed on January 1, 2008 (2008 tax year) for the 2008-2009 fiscal year.

CITY OF RICHLAND HILLS, TEXAS **TABLE 9**
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

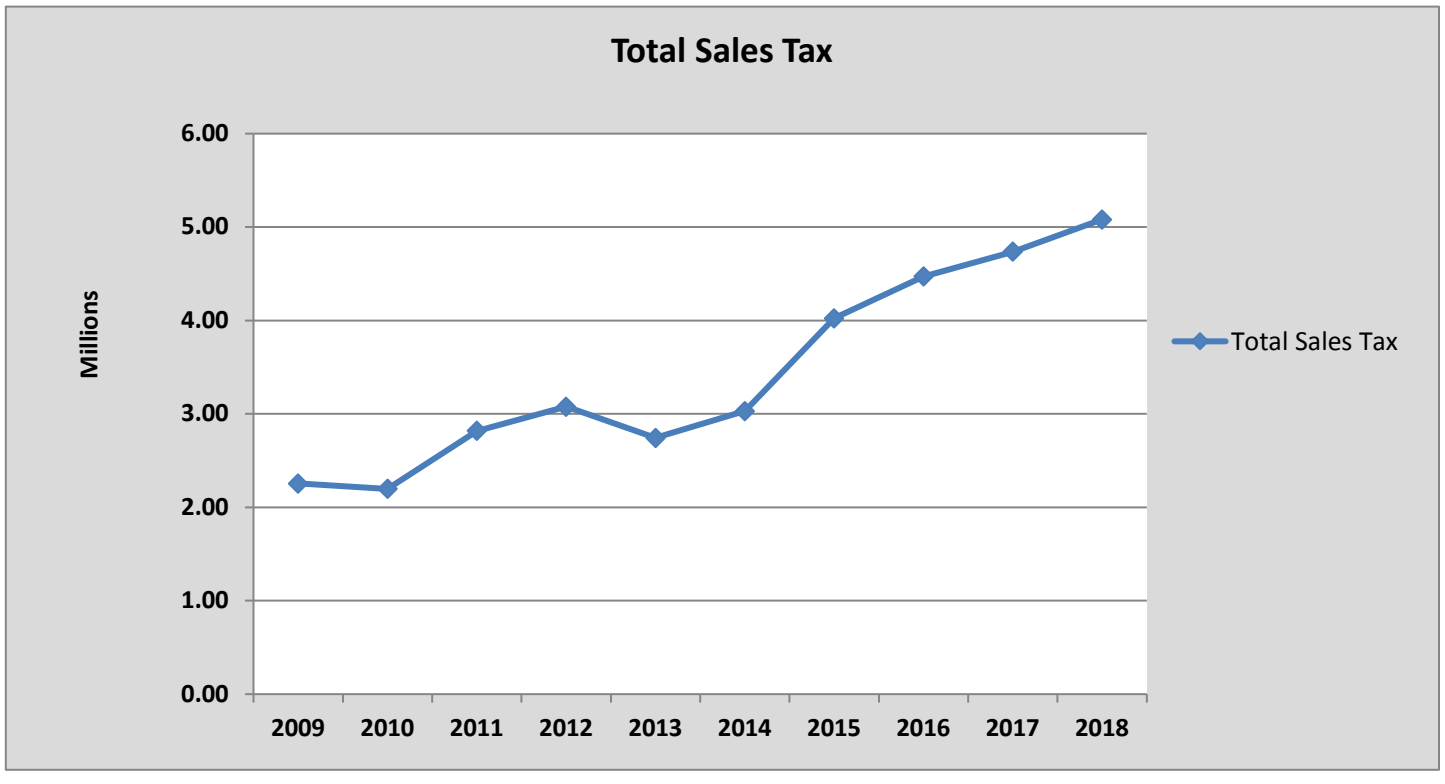
Fiscal Year Ended 9/30	Actual Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2009	2008	$ 2,064,779	$ 2,030,068	98.3%	$ 22,648	$ 2,052,716	99.4%
2010	2009	2,134,498	2,086,380	97.7%	(8,372)	2,078,008	97.4%
2011	2010	2,177,631	2,138,363	98.2%	30,449	2,168,812	99.6%
2012	2011	2,183,418	2,155,888	98.7%	25,900	2,181,788	99.9%
2013	2012	2,162,748	2,119,438	98.0%	42,496	2,161,934	100.0%
2014	2013	2,250,917	2,231,421	99.1%	9,307	2,240,728	99.5%
2015	2014	2,316,163	2,272,895	98.1%	30,680	2,303,575	99.5%
2016	2015	2,380,796	2,354,223	98.9%	24,078	2,378,301	99.9%
2017	2016	2,875,298	2,836,300	98.6%	36,359	2,872,659	99.9%
2018	2017	3,008,103	2,970,529	98.8%	-	2,970,529	98.8%

Source: Tarrant County Tax Assessor Collector.

Tax Lien and Assessment Date:	January 1 each year
Taxes due:	October 1 of the same year
Taxes delinquent:	February 1 of the following year

CITY OF RICHLAND HILLS, TEXAS **TABLE 10**
SALES TAX COLLECTIONS BY FUND
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended 9/30	General	(TIF) Tax Increment Financing	Crime Control District	Richland Hills Development Corporation	Total Sales Tax Collections
2009	$ 1,523,221	$ -	$ 541,144	$ 190,158	$ 2,254,523
2010	1,495,521	2,906	511,103	187,089	2,196,619
2011	1,886,852	17,924	675,913	237,889	2,818,578
2012	2,045,187	8,295	767,848	256,509	3,077,839
2013	1,822,994	7,002	684,911	228,562	2,743,469
2014	1,987,280	35,470	754,203	252,648	3,029,601
2015	2,583,922	101,400	1,003,104	335,389	4,023,815
2016	2,873,295	107,428	1,118,369	372,315	4,471,407
2017	2,980,714	178,474	1,186,765	389,806	4,735,759
2018	3,267,337	104,325	1,293,803	416,528	5,081,993



Source: City records.

CITY OF RICHLAND HILLS, TEXAS
RATIOS OF TOTAL OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

	GOVERNMENTAL ACTIVITIES					
Fiscal Year	**General Obligaton Bonds**	**Premiums**	**Certificates of Obligation (1)**	**Public Property Finance Contractual Obligations**	**Tax Notes**	**Capital Leases**
2009	$ -	$ -	$ 770,000	$ 485,000	$ 409,000	$ -
2010	-	-	680,000	455,000	278,000	-
2011	-	-	580,000	425,000	77,000	-
2012	-	-	475,000	787,000	-	-
2013	-	-	365,000	1,004,000	-	47,420
2014	-	-	250,000	801,000	-	39,016
2015	-	-	130,000	591,000	-	30,104
2016	8,770,000	623,510	4,705,000	375,000	-	20,653
2017	8,770,000	565,372	4,585,000	297,000	-	196,303
2018	8,863,250	523,579	4,410,000	42,000	-	141,193

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) Includes certificate of obligation secured by combination property tax and revenue.
(2) Includes governmental activities and business-type activities debt.
(3) See Table 16 for population and personal income data.

TABLE 11

BUSINESS-TYPE ACTIVITIES							
Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Premiums	Capital Leases	Total Primary Government (2)	Total Debt Per Capita (3)	Per Capita Debt as a Percent of Capita Income (3)
$ 1,525,000	$ -	$ 4,245,000	$ -	$ 343,336	$ 7,777,336	$ 937	4.6%
1,435,000	-	6,710,000	-	300,521	9,858,521	1,264	5.6%
1,340,000	-	6,360,000	-	255,780	9,037,780	1,159	4.7%
-	-	7,055,000	-	209,026	8,526,026	1,093	4.4%
-	-	12,230,000	537,466	160,167	14,344,053	1,839	7.5%
-	-	11,500,000	505,314	109,110	13,204,440	1,693	6.9%
-	-	11,750,000	473,166	55,756	13,030,026	1,645	6.7%
-	-	10,895,000	441,021	270,722	26,100,906	3,296	13.4%
-	-	10,000,000	408,871	206,981	25,029,527	3,160	12.8%
-	1,151,750	7,935,000	376,723	140,683	23,584,178	2,978	12.1%

CITY OF RICHLAND HILLS, TEXAS **TABLE 12**
RATIOS OF GENERAL BONDED DEBT
PER ASSESSED VALUE AND PER CAPITA
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Actual Taxable Value (1)	Net Bonded Debt Per Capita (2)
2009	$ 894,000	$ 132,211	$ 761,789	0.17%	$ 92
2010	733,000	134,841	598,159	0.13%	77
2011	502,000	92,309	409,691	0.09%	53
2012	787,000	123,525	663,475	0.17%	85
2013	1,004,000	125,011	878,989	0.21%	113
2014	801,000	144,394	656,606	0.15%	84
2015	591,000	185,035	405,965	0.09%	51
2016	9,145,000	164,196	8,980,804	1.96%	1,134
2017	9,067,000	237,811	8,829,189	1.75%	1,115
2018	8,905,250	310,514	8,594,736	1.52%	1,085.19

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Table 6 for taxable value data.
(2) See Table 16 for population and personal income data.

CITY OF RICHLAND HILLS, TEXAS **TABLE 13**
GENERAL BONDED DEBT AS A RATIO OF
ANNUAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest and fees	Total Debt Service	Total Governmental Expenditures (1)	Ratio of Debt Service to Governmental Expenditures
2009	$ 242,000	$ 79,663	$ 321,663	$ 6,598,453	4.9%
2010	251,000	71,249	322,249	7,556,434	4.3%
2011	331,000	60,958	391,958	7,911,964	5.0%
2012	293,000	73,191	366,191	7,786,839	4.7%
2013	238,000	52,190	290,190	10,076,260	2.9%
2014	203,000	29,730	232,730	9,312,525	2.5%
2015	210,000	29,730	239,730	8,716,183	2.8%
2016	346,000	22,978	368,978	13,168,230	2.8%
2017	198,000	664,965	862,965	21,367,070	4.0%
2018	350,500	464,388	814,888	10,906,017	7.5%

Notes: (1) Includes general, special revenue, debt service and capital project funds.

CITY OF RICHLAND HILLS, TEXAS **TABLE 14**
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2018
(Unaudited)

Governmental Unit	Tax Supported Debt Outstanding	Estimated Percent Applicable*	Estimated Share of Direct and Overlapping Debt
City of Richland Hills	$ 13,980,022	100%	$ 13,980,022
Total direct debt			$ 13,980,022
Tarrant County (1)	320,227,567	0.33%	$ 1,056,751
Tarrant County Hospital District(1)	20,835,000	0.33%	68,756
Tarrant County Junior College District(3)	-		-
Birdville Independent School District(2)	253,562,466	5.39%	13,667,017
Total overlapping debt			$ 14,792,523
Total direct and overlapping debt			$ 28,772,545
Total Direct and Overlapping Debt per Capita:			$ 3,633

Source: (1) Tarrant Appraisal District for fiscal year ended September 30, 2017.
(2) Per Birdville ISD CAFR for fiscal year end June 30, 2018.
(3) There is no bonded debt outstanding for Tarrant County College District, as all bonds payable were paid off in February 2015.

*Estimated percentage is based on formula using assessed net taxable property values located within the Richland Hills City limits.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Richland Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borned by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF RICHLAND HILLS, TEXAS **TABLE 15**
Computation of Legal Debt Margin
September 30, 2018
(Unaudited)

Article XI, Section 5 of the State of Texas Constitution state in part:

"… no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property for such city."

As a home rule city, the City of Richland Hills is not limited by the law in the amount of debt it may issue. The City's charter provides that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds.

The tax rate for fiscal year 2018 was established at $.563738 per $100 of assessed valuation based on 100% appraised value.

CITY OF RICHLAND HILLS, TEXAS **TABLE 16**
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population	Median Household Income	Per Capita Income	Public School Enrollment	Unemployment Rate
2009	8,300	$ 43,377	$ 20,247	1,593	8.0%
2010	7,801	46,918	22,682	1,441	8.0%
2011	7,801	46,918	22,682	1,441	7.8%
2012	7,801	50,788	22,682	1,441	6.0%
2013	7,801	50,788	22,682	1,441	6.0%
2014	7,801	50,788	22,682	1,765	6.0%
2015	7,920	50,788	22,682	1,765	6.0%
2016	7,920	50,126	24,612	1,765	4.2%
2017	7,920	50,126	24,612	1,765	3.9%
2018	7,920	50,126	24,612	1,765	3.9%

Sources: U.S. Census Bureau
North Central Texas Council of Governments
Texas Workforce Commission
Birdville ISD

CITY OF RICHLAND HILLS, TEXAS **TABLE 17**

PRINCIPAL EMPLOYERS

Current and Nine Years Ago

(Unaudited)

		2018		2009	
Employer	**Industry**	**Number of Employees**	**Rank**	**Number of Employees**	**Rank**
Birdville ISD (3 schools)	Independent School District	188	1	152	1
Harris Packaging	Corrugated Boxes	-	-	135	2
Nuclear Logistics	Chemical Engineering Services	-	-	100	4
Alterra Healthcare Corporation	Nursing and Personal Care	-	-	60	9
Atlantic Air	Conditioning Equipment	-	-	55	10
Buyers Barricade	Equipment Rentals	115	2	-	-
Smith Lawn and Tree	Landscape and Horticulture	110	3	-	-
Trugreen Chemlawn	Landscape and Horticulture	100	4	70	8
Lexington Place	Nursing and Personal Care	99	5	104	3
Hamilton Form Company	Industrial Machinery/Equipment	90	6	-	-
Richland Hills Nursing Home	Nursing and Personal Care	78	7	73	6
City of Richland Hills	Municipality	78	7	86	5
Accurate Metal Stamping	Metal Fabrication	70	8	72	7
Valley Dynamo	Table Top Games	70	8	-	-
WalMart Neighborhood Market	Grocery Store	68	9	-	-
Royal Bath	Plumbing Equipment/Manufacturing	50	10	-	-
Total		1,116		907	

Sources: City records and North Central Texas Council of Governments.

CITY OF RICHLAND HILLS, TEXAS **TABLE 18**

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Police										
Physical arrests	503	597	542	327	354	416	404	347	438	557
Number of law violations	3,885	3,511	3,693	1,090	1,279	1,346	976	798	1,266	2,783
Fire										
Number of fire runs	541	543	480	477	1,375	566	554	740	647	663
Number of EMS runs	813	920	889	898	909	920	902	990	1020	1047
Public Works - Streets										
Streets resurfacing (miles)	0.2	1.4	23.0	0.3	1.0	0.8	1.5	-	1	1
Potholes repaired	123	123	184	517	207	369	168	247	211	356
Public Works - Water/Wastewater										
New Connections	18	12	21	1	2	9	13	1	2	1
Water main breaks	25	43	18	30	9	31	30	19	26	11
Average daily consumption (thousands of gallons)	921	836	955	879	882	654	789	686	877	937
Peak daily consumption (thousands of gallons)	1,610	1,552	1,670	1,761	1,517	1,048	1,494	1,125	1,415	1,885
Average daily sewer treatment (thousands of gallons)	880	1,499	688	697	468	407	793	546	457	537
Library										
Volumes collection	37,954	37,562	41,310	36,346	40,276	37,117	41,701	36,598	37,881	38,123
Total volumes borrowed	42,288	36,398	39,208	34,678	52,218	55,635	37,805	41,980	52,304	59,686
Recreation center (1)										
Link Memberships	-	-	-	-	-	-	-	-	402	635
Fitness Only Memberhips	-	-	-	-	-	-	-	-	30	39
Rentals	-	-	-	-	-	-	-	-	17	359

Note: The City's recreation center, the LINK, opened in April 2017.

Source: Various City departments

CITY OF RICHLAND HILLS, TEXAS **TABLE 19**

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	11	11	11	11	11	11	8	8	9
(1) Un-Marked Units	-	-	-	-	-	-	-	-	-	9
(1) Un-Marked Volunteer Unit	-	-	-	-	-	-	-	-	-	1
(1) Speed Trailer	-	-	-	-	-	-	-	-	-	1
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	2	2	2	2	2	2	2	2	2	2
Ambulances	1	1	1	1	1	1	1	1	1	1
Public Works - Streets										
Streets (miles)	43.51	43.51	43.51	43.51	43.51	43.51	43.51	43.51	43.51	44
Street lights	462	462	462	462	462	462	462	462	462	462
Traffic signals	9	9	9	9	9	9	9	9	9	9
Public Works - Water/Wastewater										
Water mains (miles)	47	47	47	47	47	47	47	47	47	47
Fire hydrants	350	350	350	350	350	350	350	355	355	355
Storage capacity (thousands of gallons)	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360
Sanitary sewer (miles)	60	60	60	60	60	60	60	60	60	60
Storm sewer (miles)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3
Culture and recreation										
Parks	4	4	4	4	4	4	4	4	4	5
Parks acreage	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	13
Recreation center	1	1	1	1	1	1	1	1	1	1
Playgrounds	3	3	3	3	3	3	3	3	4	4
Recreation center	-	-	-	-	-	-	-	-	1	1

Note: (1) Information available starting in Fiscal Year 2018.

Source: Various City departmental records.

CITY OF RICHLAND HILLS, TEXAS **TABLE 20**
FULL-TIME EQUIVALENT (FTE) CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	FISCAL YEAR									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Function/Program										
General government										
Administration	6	6	6	6	7	8	8	8	8	8
City Secretary	1	1	1	1	1	1	1	1	1	1
Economic development	1	1	1	1	-	-	-	-	-	-
Facilities maintenance	-	-	-	-	-	-	-	-	-	2
Public safety										
Police	29	29	30	30	24	25	26	23	22	26
Fire	17	17	16	16	16	17	17	17	17	17
Municipal court	3	3	2	2	2	2	2	2	2	2
Animal services	2	2	2	2	2	2	2	2	2	2
Public Works - Streets	3	3	2	2	2	2	2	2	2	2
Culture and recreation										
Library	7	7	7	7	7	7	7	7	7	7
Parks & Recreation	1	1	1	1	1	1	1	1	25	27
Community development	2	3	3	3	3	3	4	4	4	4
Water and wastewater	10	10	10	10	10	10	10	9	9	9
Drainage utility	2	2	3	3	3	3	3	2	2	2
Total employees	84	85	84	84	78	81	83	78	101	109
Total hours worked	181,187	188,649	183,645	181,747	173,696	177,204	181,822	188,203	191,910	208,167
Total FTE employees (1)	87.1	90.7	88.3	87.4	83.5	85.2	87.4	90.5	92.3	100.1

Note: (1) 1 FTE = 2080 hrs worked in one year.
Source: City records.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of Richland Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Richland Hills' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

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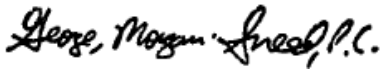
effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Weatherford, Texas
February 25, 2019